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## Tech Firm Buys SunGard Managed Acct Platform

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By Tom Stabile

A New York-based technology provider is making a big play to grow its presence in the managed account sponsor market by acquiring SunGard<sup>1</sup>'s turnkey asset management platform. FolioDynamix<sup>2</sup> is expanding beyond its current focus on front-office software for financial advisors and middle-office technology systems for managed account sponsors to also offer a suite of investment products anchored by the former SunGard Advisor Technologies, which now will be known as FDx Advisors.

The acquisition, which closed on Aug. 1, enables FolioDynamix to target a large swath of functions that sponsors can outsource, from advisor-level account management tools to unified managed account (UMA) operations. It would essentially place the company in competition with a variety of firms that provide different services to the marketplace – such as overlay managers, turnkey asset management programs, account operations systems providers, and advisor software vendors – all at once, while addressing the standing problem that most of those functions need to interact smoothly.



**Joseph Mrak**  
President, CEO  
FolioDynamix

"A lot of people are tired of the fragmented technology," says **Joseph Mrak**, president and CEO of FolioDynamix. "You sign up for one of these services and then find another provider for another service. Then you have to reconcile them, and it hurts your time to market and costs you more. People really want an integrated solution."

The various functions will also be offered as stand-alone services. All of it has been developed as Web-based, hosted software, though in some cases it can be housed within the sponsor firm as well, Mrak adds.

Adding SunGard's turnkey program, which had \$14.7 billion in advisory managed account assets in first-quarter 2008 data

compiled by **Cerulli Associates**<sup>3</sup>, allows FolioDynamix to offer a broader and more flexible menu to managed account sponsors, Mrak says. "We want to be able to go after multiple channels, from smaller securities firms up to a wirehouse," he adds. "The front- and middle-office technologies coming together is the key. You could run it internally and distribute it out to your advisors, or you can have your advisors [log in to run the account] – one technology where you can do both."

The deal also positions FolioDynamix, which was founded in 1999, to meet expected growth in UMAs because the SunGard platform already has 100 separately managed account models and similar numbers of mutual funds and exchange-traded funds. Mrak says FolioDynamix has an overlay management team set up to oversee the UMAs, which consolidate the various types of investments into one custodial account.

"We want to be in the perfect spot to help this industry grow those products," Mrak says. "We're at the right moment. I see no shortage of [firms] looking around. A lot of firms have made initial investments in UMA programs, and they're seeing what works and doesn't work. Others have decided they want to bring it in house, and we can help that process."

SunGard, which is based in Wayne, Pa., had acquired the turnkey business, formerly known as **London Pacific Advisors**, in 2003. It has now parted with the platform because that unit didn't fit in neatly with the company's core software focus, including its WealthStation planning and account management product for financial advisors, says **Kevin Rafferty**, president of SunGard's wealth management business.

"It's kind of a byproduct of when SunGard went private in 2005," he says. "That allowed us to step back to decide what we want to do to drive the businesses forward. Where we don't think we can add the most value to a particular business, we'll put that in the hands of a partner."

SunGard and FolioDynamix both say they intend to partner, particularly on joint sales for their product offerings. Both say their businesses don't overlap much, though both appear to offer some versions of account management tools, such as rebalancing, proposal generation, and performance reporting. Neither firm would disclose the terms of the deal.

Mrak is a veteran of several technology providers in the industry, including [Checkfree Investment Services](#)<sup>4</sup>, [Citi](#)<sup>5</sup>, and [Placemark Investments](#)<sup>6</sup>, an overlay manager that he cofounded. He joined FolioDynamix last year.

He says the biggest fish his new firm may pursue are the wirehouse brokerages. He says despite the fact that those giant firms have already built their own infrastructure and product platforms, many of those systems use older technology and aren't as versatile as modern architecture. That might convince a wirehouse to at least sign on for some portions of the firm's offerings, Mrak says.

One attractive option would be the ability to give individual advisors – particularly big producers – more control over client accounts. "It's an aggressive fight for top advisors," Mrak says. "They want the best tools on the marketplace."

He also says the firm "has the scale" to work with large firms because it is already servicing a top-10 managed accounts sponsor brokerage, though he would not disclose which one. The FolioDynamix materials state that it processes for more than 3.5 million accounts daily and supports more than 12,000 advisors.

"There's no one that is [offering managed account services] end-to-end like this to the best of my knowledge," says **Robert Hollinger**, a partner at [Barrington Partners](#)<sup>7</sup>, a Boston-based consultancy. "But the wirehouses all have a lot of significant technology already."

Wirehouses typically like to control their processes closely, says **John Shields**, a principal at [MainStay Consulting Group](#)<sup>8</sup> in Portsmouth, N.H.

"While you hear that [wirehouses] want to look at the business model and focus on things that they do well, and outsource things that are not central to their model, they haven't shed much around the tech and operations pieces," he adds. "This kind of technology is central to their primary business model."

Shields also says that wirehouses will probably closely study any potential technology partners to make sure they have adequate financial backing to make it for the long haul. Just last week, [Edison Venture Fund](#)<sup>9</sup> of Lawrenceville, N.J., announced a \$7.5 million investment in FolioDynamix to help it execute its strategic plan and for "completing an acquisition" but a spokesman for FolioDynamix did not comment on other financial backers.

The firm is primarily aiming beyond the wirehouses, Mrak says. "Our core target is the mid to larger regional broker-dealer segment and the super-regional banks," he adds. It also will target independent registered investment advisors with more than \$1 billion in assets and family offices.

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