

Durability matters in SMAs

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Separately managed accounts have already changed advice practices for the better by reducing administration, improving consistency and making portfolio changes easier to implement. Those gains matter, but they are now the baseline benefits to advisers and clients, rather than sources of long-term wealth creation.

Across this series, we have argued that the market is moving on. The first article made the case that efficiency has become a starting point expectation. The second explored the advantages institutional investors still retain, particularly where capacity, bespoke mandates and direct manager relationships matter, and how selected advantages can be reworked for adviser portfolios.

That leaves one final question. When advisers choose an SMA partner for the years ahead, what should they really be judging?

Start with a different test

It is tempting to return to features. Look-through reporting; wrap availability; rebalancing frequency; price and performance. All are important, and all deserve scrutiny. Yet a feature-by-feature comparison can tell advisers what a provider offers today while revealing very little about what it will be capable of tomorrow.

The stronger test is durability. Who has the experience to keep evolving as markets change? Who keeps investing in people, research, systems and manager relationships? Who can solve problems that have not yet become obvious to the rest of the market?

That shift in perspective matters because clients may remain in an SMA for many years. The provider selected now needs to stay relevant through changing markets, new investment structures, platform developments and rising client expectations. Standing still is not a neutral choice as over time, it becomes a risk.

What institutional capability looks like in practice

Institutional advantage is sometimes described in broad terms. Scale, access, and governance. The value becomes clearer when it changes the way a portfolio is constructed.

Take global equities. One broad allocation can conceal very different return drivers and risks. Emerging markets are shaped by their own currencies, political settings, consumers and capital cycles.

Global smaller companies open another field entirely, often beyond the reach of large-cap portfolios and less intensively researched. Treating these exposures as distinct building blocks allows the portfolio constructor to choose specialist managers for a particular job, rather than asking one strategy to do everything.

Private assets provide another test. Adding a monthly priced private market fund alongside an SMA may widen exposure, but it does not necessarily improve the client experience, and in fact detracts from the very efficiencies which made SMAs mainstream.

The greater task is to blend public and private exposures in a way that respects liquidity, valuation, reporting and platform administration. That takes more access, product design expertise and governance.

The same is true behind the scenes of every building block in an SMA. A bespoke mandate structure may allow clearer portfolio look-through, tailored guidelines and more efficient manager changes to manage tax.

Currency hedging can be managed within the investment structure. Commercial terms can be revisited as scale grows without having to move unit classes or rebates. None of this is especially glamorous, but it can still make a meaningful difference to how efficiently the portfolio adapts and how confidently an adviser can recommend it for the long term.

The next edge will come from reinvestment

The SMA market will continue to evolve. New asset classes will become practical while others may disappoint. Technology will improve reporting and personalisation, while regulation and platform constraints will keep testing good ideas against operational reality. The winners will be the providers that keep working at the intersection of investment ambition and adviser practicality.

That means reinvesting before the market forces the issue. It means building specialist research capabilities and deepening manager relationships before capacity becomes scarce. It means developing structures that can bring institutional thinking into adviser portfolios without carrying across the institutional burden.

Finally, and no less importantly, it means being willing to retire an approach when it no longer earns its place, rather than allowing an investment to remain entrenched simply because it has become “too hard to change”.

It is the same standard which MLC applies across our SMA portfolios. Taking manager research, insight, portfolio construction, mandate design, investment governance and the ability to connect those disciplines without losing sight of the adviser and client experience.

In global equities, that means recognising when emerging markets or global smaller companies deserve specialist treatment. In private markets, it means working through the real implementation questions rather than treating access as the achievement. Across mandates and manager relationships, it means using scale with intent, not simply pointing to its existence.

Advisers should look for evidence of that mindset. Not a promise that innovation will happen, but a record of building, testing and improving over time.

So, look past the wrapper and ask who is still building, who is willing to invest and who has the experience to turn new ideas into practical portfolio solutions advisers can recommend with confidence for the long term. We believe MLC belongs in that conversation.

Choose the durable partner, not just the product.

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