



## **Overlay Management Goes High-Tech**

**By Steven Marlin, Reporter**

New technology is allowing overlay managers greater discretion in customizing asset models, John Phoenix, CEO of [Metamorphosis Money Management](#), told Markets Media Tuesday.

"Technology is allowing overlay managers like us to unlock the full potential of unified managed accounts allowing an unprecedented level of efficiency, customization, and tax management, which is the Holy Grail of managed accounts," said Phoenix.

Metamorphosis switched last year from an older system to the Vestmark Managed Accounts Platform (VMAP) a modern, web-based technology platform that supports traditional separately managed account (SMA) as well as newer unified managed accounts (UMAs).

VMAP supports both active and passive overlay management, allowing participating investment managers to submit and update models, trade their account sleeves, and shadow their accounts on their own portfolio management system.

The new software allows Metamorphosis to provide a greater range of services to advisors.

"We look like a TAMP [turnkey asset management platform] now," said Phoenix. "However, unlike most TAMPs, which present UMA as a product, we present the UMA as an accounting methodology used with every account. The UMA wrapper enhances efficiency which reduces operating costs significantly while allowing advisors to build a highly customized solution for their clients."

In a typical separate account relationship, the investment adviser selects multiple separate accounts for a client, which means multiple custodial accounts, multiple 1099s, and little cooperation among managers. With a UMA, there's one custodial account, and one overlay manager for trading, recordkeeping and, reporting.

The structure aids greatly in tax management. "We can look for losses on a daily basis and customize greatly," Phoenix said. "When you have a client that has a single stock position, you can build strategically around that."

The new technology also enables more flexibility in manager selection. "Suppose you want to hire an emerging markets manager or bond manager that won't do a model-based approach," Phoenix said. "With most UMAs, you have to set up another custody account outside of the UMA to handle that manager; in our UMA, we can set up a sleeve within the custodial account where a manager that wants to do their own trades can do so."