Advocating for Asset Owners

An experienced transition management provider should free clients to focus on making investment decisions, while offering total visibility into the trading process, says Abel Noser's Senior Vice President of Transition Management Michael Iannucci.

CIO: Could you give a history of your firm and its approach to the transition management space?

Iannucci: Abel Noser was founded in 1975 and has been in the transition management space since 1986. Abel is well-known as a provider of Transaction Cost Analysis (TCA), and we have a long history of working with asset owners to lower the costs associated with implementing their investment decisions. To us, transition management is a natural extension of this mission. So much of the work that we do here is focused on evaluating the efficiencies of trading processes and helping clients—from traditional asset owners, sub-advised platforms, and funds-of-funds to managers themselves—understand how the various inflection points along the way that can impact their bottom lines. This can extend all the way to helping them identify which of the venues and algorithms they have access to will add value. This is the platform that we leverage when we execute a transition mandate, and we feel it allows us to better preserve asset value for our transition management clients.

CIO: What else do you consider a differentiator?

Iannucci: We're an agency-only firm. We do not maintain any proprietary accounts, and we do not have a commercial interest in any liquidity pools. We think this is important, as these are among the first things that can work against a client's interests when executing a transition.

CIO: You touch on transparency. How do you think it has evolved in transition management?

Iannucci: There are a lot of good people and a lot of good firms in the space, but there have also been some things going on in the margins that don't reflect well on the industry. The recent censures by the Financial Conduct Authority and the US Securities and Exchange Commission of certain established transition managers have yielded increased regulatory and compliance scrutiny, and that's something we welcome. But it remains very much incumbent on us to make our case to asset owners. And it's very much incumbent on the asset owners to align themselves with organizations that put integrity first. Abel has a long history of advocating for asset owners. The principal purpose of our TCA platform, after all, is to give market participants visibility into the trading process.

CIO: How does transition management help CIOs be more efficient?

Iannucci: Our clients are focused on making the big decisions—decisions that mean a 100, 200, or 500 basis-point difference to their plan constituents. We want them to stay focused on that. Our goal is to serve as an extension of their resources, and take the project management component off the table for them—to help them realize their investment decisions with as little friction as possible.

No two transition mandates are alike. A client will provide the 30,000-foot view of what they'd like to occur, and we'll get into the weeds. We engage the stakeholders—from the clients themselves to external stakeholders such as the custodian banks, incoming and outgoing investment managers, to fund accounting, if applicable—to ensure that all parties understand the action items required of them, along with the associated deadlines. We identify any roadblocks or speed bumps that might occur in the process, and determine the best course of action. This is what we're focused on day in and day out. For our clients who go through this exercise once or twice a year, that's part of the value proposition—you need a trusted, expert partner, and that's what we seek to be.

CIO: What trends have you observed in the last few years?

Iannucci: In the wake of so many high profile exits from the space, we've seen tremendous growth. Some of that growth is undoubtedly due to who we are not, but I'm also certain that we're growing because of who we are.

We find it interesting to consider the evolution of the concept of "best practice" in the transition management space over the last decade. Ten years ago, principal trades were not an uncommon way to implement allocation changes. Today, most asset owners have moved on from the idea that a principal execution, even in the fixed-income space, is in their best interest. Five years ago, a high crossing volume was viewed as the key to delivering the best possible result. Today, most asset owners have moved on from the idea that all crosses are the win-win proposition they're sometimes billed as. These are core ideas that Abel has espoused since our inception. Our offering is built on an agency execution, coupled with a thoughtful, TCA-based approach to managing risk and sourcing liquidity, and it has changed very little since I joined the firm in 2004. ■