THE HISTORY OF SEPARATELY MANAGED ACCOUNTS

1950

James Lockwood joins Chicago-based brokerage firm of Straus, Bosser & McDowell in the mid-'50s where he meets future partner John Ellis.

1962

The Welfare and Pension Plan Disclosure Act Amendments of 1962 give the federal government responsibility to prevent fraud and poor administration of plan assets.

1963

Straus merges with Dempsey-Tegeler and James Lockwood becomes the largest mutual fund producer at the firm. Ellis and Lockwood team up with Tom Gorman.

1965

Harvard professor Michael C. Jensen conducts the first major study on the performance of mutual funds.

1967

Merrill Lynch enters the performance measurement business for institutional clients.

1968

Edwin Callan, a leader in the institutional consulting business, forms the investment measurement division of Mitchum, Jones & Templeton.

AG Becker Corp. conducts the first major study of institutional plans.

1970

Dempsey-Tegeler closes and Lockwood, Ellis and partner Tom Gorman join Dean Witter.

Butcher and Singer becomes one of the first financial services firms offering consulting services through its autonomous Butcher Consulting Group.

1972

The Dow closes above 1,000 for the first time.

Vic Rosasco joins Bache and later organizes the Senior Consulting Group after Prudential acquires Bache. He provides innovative training and support for interested brokers.

1973

James Lockwood proposes new business model, but Dean Witter turns him down, rejecting Dean Witter Plus. Lockwood's team approaches Hutton and offers the concept that later becomes EF Hutton Suggests.

Hutton forms its Consulting Group.

Hutton broker John Vann opens the first SMA for Hilda Peck.

1974

ERISA, the Employee Retirement Income Security Act of 1974, is enacted, making way for the Prudent Man Rule.

The Dow closes at 577 in December 1974 (45% off of its peak), its lowest level since October 1962.

Hutton offers investment consulting services to retail clients.

1975

May 1, "May Day," the Big Board's fixed commission rates are abolished and brokerage commissions become negotiable.

Hutton introduces Hutton Investment Management (HIM) in October.

1976

First Hutton SMA training program begins.

1977

John Calamos founds Calamos Asset Management—the first unique style manager with convertibles strategy for SMA sector.

1978

Len Reinhart joins Jim Lockwood at Hutton as an analyst.

1979

Hutton sales force grows to 6,000 under the leadership of George Ball and Peter Muratore.

1981

Assets in Hutton's Consulting Group exceed $1 billion.

1985

IMCA launches under the guidance of Jim Owen and Dan Bott.

In the mid-'80s, Mobius and Security APL begin offering technology solutions.

1986

Shearson Lehman Brothers launches its Portfolio Management (PM) programs.

1987

The Dow falls 508 points, or 23%, to close at 1,739 on Oct. 19, known as Black Monday.

Merrill Lynch enters the managed accounts business with its Consults program.

Prudential and PaineWebber test SMA waters.

Major firms establish their own trading desks for managed accounts. Jim Lockwood retires.

1988

Shearson Lehman acquires Hutton.

Dan Bott launches IIMC.

1989

Shearson introduces its TRAK program, the first SMA program employing mutual funds. On January 2, the Dow closes above 2,800.

1990

AIMR springs to life from the merger of the Financial Analysts Federation (FAF) and the Institute of Chartered Financial Analysts (ICFA).

At year-end, Shearson boasts assets totaling $4 billion.

1992

Equitable Life Assurance Society offers SMAs to investors.

Shearson launches its Guided Portfolio Management (GPM) program.

1994

The SEC releases the "Large Firm Report" of industry compensation practices headed by Merrill Chairman Dan Tulley.

Jim Lockwood passes away at age 77.

1995

An SEC report deems compensating brokers based on client assets under management instead of by the number of trades executed to be a best practice by firms.

On November 11, the Dow closes for the first time above 5,000.

Phoenix Investment Partners enters the SMA business.

1996

CheckFree purchases Security APL — further enhancing technology offerings.

1997

Total retail SMA assets reach $137 billion.

Citigroup pioneers the MDA, its own brand of multiple style portfolio.

The Money Management Institute launches under the direction of Christopher Davis.

Peter Muratore is elected chairman of MMI's Board of Governors.

1998

Wells Fargo enters the SMA business.

1999

March 29, the Dow closes above 10,000.

CheckFree purchases Mobius — now able to offer front-, middle- and back-office functions.

2001

Assets under management for SMAs total $400 billion, outpacing mutual fund growth.

2002

Multidiscipline accounts become one of the fastest-growing segments of the SMA industry.

The Money Management Institute reports that assets held in separately managed accounts total $417 billion at the close of second quarter, still growing amid broad market sell-offs and extreme volatility.

2003

MMI reports that SMAs reach a milestone at year end with AUM crossing the $500 billion barrier for the first time. Assets grow 29% from year-end 2002 as investors recognize the critical role of professionally managed investment strategies.

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