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Multi-Managers Prepare New Products for '10

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Multi-managers are creating new products for the new year that are designed to meet the needs of a certain type of institutional client, or address a particular concern about the market or economy. They include a product geared toward helping healthcare organizations safely pay off floating-rate debt, a new product addressing inflation concerns and an overall focus on getting more global equity managers into multi-manager products.

SEI has set its sights on institutional clients in the healthcare industry, where the multi-manager already has 45 healthcare clients with a total of more than $10 billion in assets. One of the big concerns for healthcare organizations within their operating funds is being able to meet their debt obligations. Much of that debt is floating-rate debt, with the rate tied to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

Acting as the outsourced CIO for many of these healthcare clients, SEI is creating products aimed at meeting a certain return target above the SIFMA index, so that the healthcare organization can pay that debt. Only a portion of the client's assets will be placed in these products, based on how much debt the organization owes, explains Kevin Matthews, managing director of solutions for SEI's institutional group. The rest of assets will be managed within a more typical asset allocation framework.

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SEI will use fixed income managers for these multi-manager products. The managers will be expected to outperform the SIFMA index by taking duration and credit bets "in a very controlled manner," Matthews says.

The firm already had one product tied to beating the SIFMA index. But Matthew explains that different healthcare organizations have to pay back their floating-rate debt at different rates above the SIFMA index based on their credit quality. Because those rates vary, SEI will now have two multi-manager products, with one seeking about 100 basis points above the SIFMA index, and the other aiming for about 250 b.p. above the index. The portion of assets put in each of those products will vary for each client based on their own credit rating and other concerns about paying floating-rate debt. "Their needs above SIFMA vary so we need a varied approach for them to hedge [that liability]," Matthews says.

Other multi-managers are looking to build products around inflation protection this year. Northern Trust Global Advisors is “actively looking at an inflation fund,” says chief marketing officer Tom Benzmiller.

Benzmiller says NTGA has not decided whether the product will use indexed Treasury Inflation-Protected Securities (TIPS), commodity managers, real estate, or a combination of those assets. “We’re looking at what we would recommend to clients worried about inflation going forward,” he says.

Russell Investments, meanwhile, would not discuss specific products it has under development, though the firm says there will be an increased emphasis on using global equity managers in some of its multi-manager products this year. “There’s a growing universe of managers that manage assets that way,” notes Mark Eibel, director of client investment strategies for the firm.

He notes that in general, there has been a continual globalization of product lines. “You want to go to different parts of the world when you think they are under- or over-valued, and a global mandate allows you to do that,” Eibel says.