CASE STUDY

BTS Asset Management: Technology as the Engine of Expansion

"Trust has allowed our firm to create efficiencies at every level of our business, allowing us to focus on our clients' investment strategies and substantially increase assets under management."

Isaac Braley
President, Director,
Investment Committee Member
BTS Asset Management

Challenge

- Leverage technology to create practice efficiencies and drive revenue growth.

Solution

- BTS Asset Management, Inc. selected Trust Company of America as its new custodian in 2006. Trust's state-of-the-art trading platform and customizable back-office tools helped BTS identify and exploit operational efficiencies, reducing the time spent on account maintenance and freeing BTS for what it does best: manage the strategy for its 14,500 accounts and the relationships of 3,000 financial planners contracted to offer their services.

Benefits

- Dramatically reduce time dedicated to management of client accounts through a customizable approach.
- Make thousands of transactions at one time, while retaining the flexibility to address a variety of specific account requirements.
- Liberated leadership to focus on developing company strategy and align it with business goals, rather than on details of day-to-day operation.
- Sell through other RIAs and independent broker-dealers more efficiently, enabling the business to grow more quickly.

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BTS Asset Management

Since 1979, BTS has been one of the nation's premier providers of quantitative market risk management for mutual fund and variable annuity holders, who seek income and/or total return over a five to ten-year period. BTS offers three different asset management styles for mutual funds and variable annuities – all offering some level of active management. BTS over its history has demonstrated an unbiased 'sell side discipline' in its approach to risk-management, something that distinguishes us from many other money managers today. BTS is located just outside of Boston, in historic Lexington, Massachusetts.

Business Issue

After a quarter-century of managing client assets, BTS Asset Management was at a crossroads. Firm leadership realized that the technology and processes that supported its success were at risk of being left behind by the growing company. As asset management firms grow, their operations become exponentially more difficult to manage, and BTS was committed to implementing the technology and business processes that would fuel its continued growth, rather than hinder it. After examining the offerings of several providers, BTS chose Trust to custody its assets and deliver the back-office technology to help the firm optimize its operational efficiency.

Challenge

Leverage technology to create practice efficiencies and drive revenue growth.

BTS saw an opportunity to redefine its business model, moving away from a heavy focus on direct business at funds and annuities to a turnkey asset management program (TAMP). While the potential returns on this innovative business model were substantial, it would require the firm to completely overhaul its trading and account management processes. To make their new TAMP successful, BTS would have to be able to make trades with thousands of accounts in a very short period of time.

Technology as Expansion Engine

Trust's revolutionary approach to model-based trading was the best way for BTS to gain the efficiencies of scale necessary to make this business model succeed. A dedicated conversion manager from Trust worked closely with BTS, learning about the new business model and helping the BTS team identify how Trust's platform could best be utilized. After receiving personalized training on the Trust software, the BTS team was ready to begin using model-based trading to realize massive efficiencies of scale.

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Explosive Growth

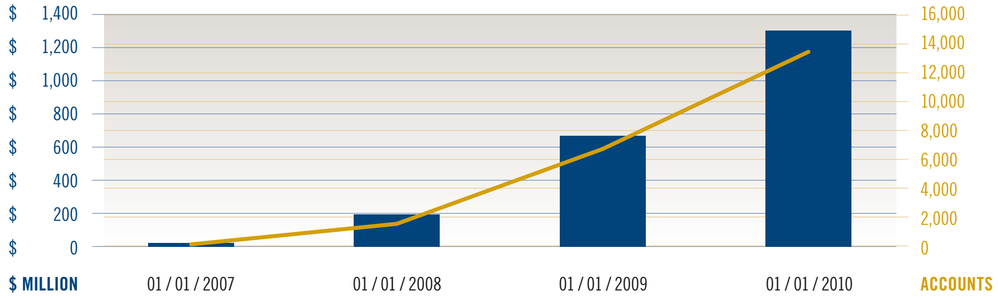
As BTS continuously learned how to optimize the efficiencies derived from Trust's platform, it began growing with speed. Beginning in May 2006 with zero accounts at Trust, BTS managed more than 14,500 accounts and more than $1.3 billion dollars at Trust by April 2010. Meanwhile, although the BTS staff grew because the company tripled its assets under management — the efficiencies gained in trading, portfolio management, and servicing meant that the company required comparatively fewer employees.

"Focusing on one custodian vs. many mutual funds has streamlined our business and allows for exceptional long-term growth," said Isaac Braley, President of BTS Asset Management. "We have also been able to cross-sell our products to other advisors on the Trust platform. This allows other RIAs at Trust to offer the BTS strategy — seamlessly managed by our team — in their client accounts and that's something that we just weren't able to do until Trust came along."

The remarkable growth BTS achieved is even more impressive considering the 40 percent slide in the market between the Fall 2008 and Spring 2009. While many advisors were struggling to stay on course, BTS quadrupled its assets under management at Trust in less than 18 months. A key to their success was implementing technology that fueled their growth, rather than inhibiting it. The thousands of trades BTS undertakes each day would take full days at any other custodian. Yet at Trust, they take only 20 minutes on average to complete. By aligning trading processes with their investment strategy and investing in smart technology solutions, BTS was able not just to grow, but to scale their business processes to support their expansion.

BTS Asset Management

Assets Under Management at Trust Company of America



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