

ADVISER ROADSHOW
**MANAGED ACCOUNTS:
THE FUTURE OF ADVICE**

BRISBANE • SYDNEY • MELBOURNE



MACQUARIE



præmium

PRINCIPAL SPONSORS

Upcoming events

- 2019 Managed Account Awards
- Portfolio Management Conference

- 2019 Managed Account Awards
 - Entries Open 22 Mar / Close 19 April
 - Awards 27 June
- Portfolio Management Conference
 - Sydney August – Portfolio management / asset allocation
 - Melbourne October – Australian & Int'l equities and Fixed income Investments



—
Meeting client objectives using diversified
portfolios

—
Robert Talevski – Activus Investment Advisors

Craig Higson – Betashares

Brad Bugg - Morningstar



Portfolio Construction For Defensive Asset Classes



BetaShares



Important Information

The information contained in this document is general information only and does not constitute personal financial advice. It does not take into account any person’s financial objectives, situation or needs. It has been prepared by BetaShares Capital Limited (ABN 78 139 566 868, Australian Financial Services Licence No. 341181) (“BetaShares”). The information is provided for information purposes only and is not a recommendation to make any investment or adopt any investment strategy. Past performance is not indicative of future performance. Investments in BetaShares Funds are subject to investment risk and investors may not get back the full amount originally invested. Any person wishing to invest in BetaShares Funds should obtain a copy of the relevant PDS from www.betashares.com.au and obtain financial and tax advice in light of their individual circumstances.

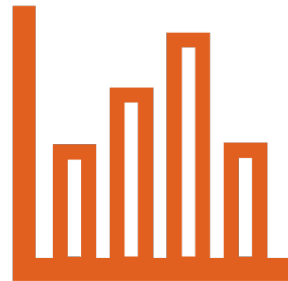
Future outcomes are inherently uncertain. Actual outcomes may differ materially from those contemplated in any opinions, estimates or other forward-looking statements given in this presentation.

Financial adviser use only. Not for distribution to retail clients.



Asset allocation is key

Three sources of excess return:



Equity



Duration



Credit



The role of fixed income

Investors generally allocate to fixed income for one or more of the following reasons:

1. Diversification against other asset classes
2. Regular and reliable income
3. Stability and/or preservation of capital



Problems with traditional fixed income passive benchmarks

- ▶ Liability weighting
- ▶ Unstable risk profiles
 - Duration creep
 - Segment creep
- ▶ Inefficient
 - Small, illiquid constituents
 - Short dated government issues with no pickup over cash

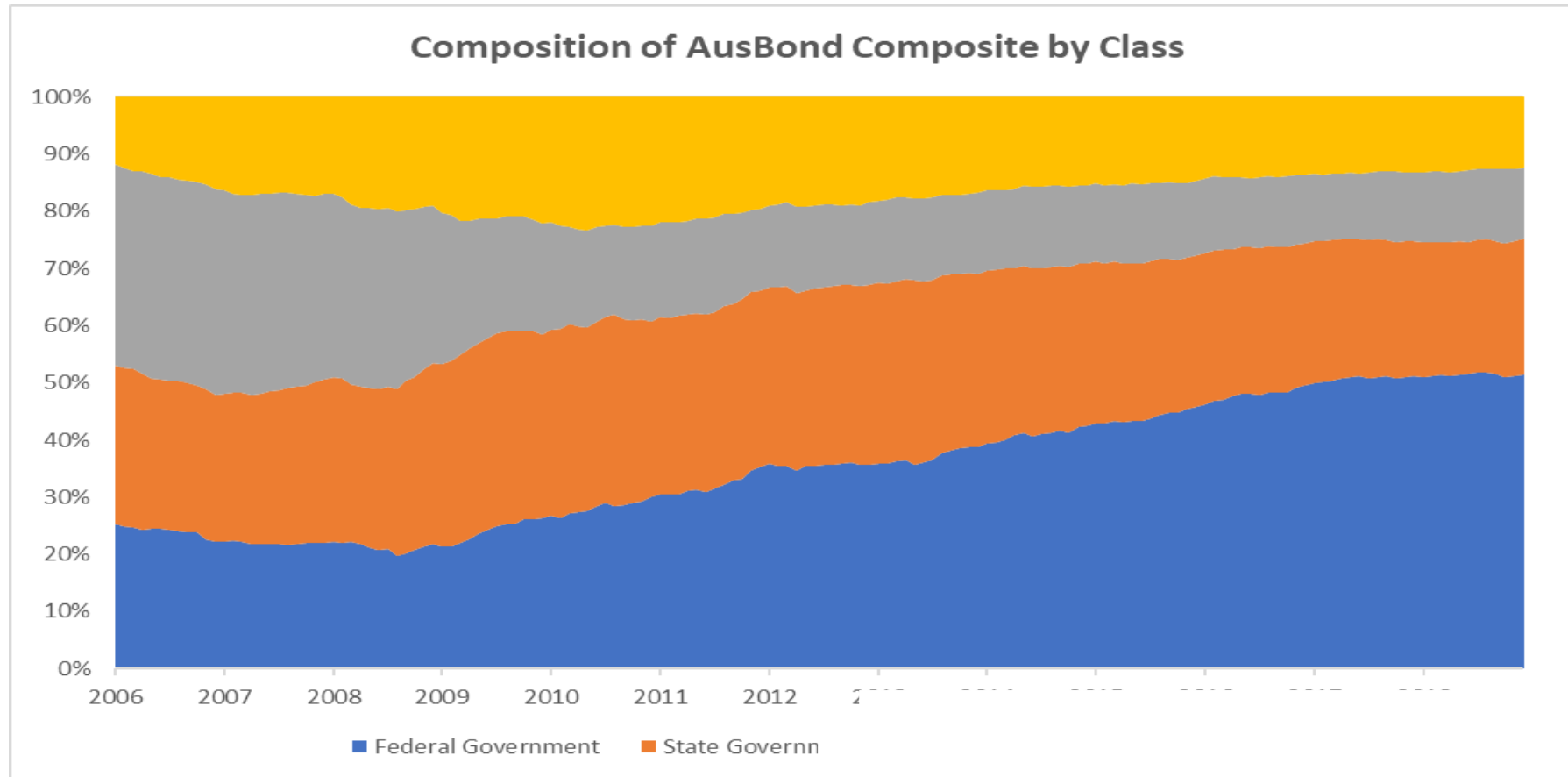




Optimising the AusBond Composite

Reconstruct inefficiencies in AusBond Composite by adjusting risk parameters for a better outcome.

- Current AusBond Composite carries unnecessary overweight to Govies (~50% Federal and 25% State)

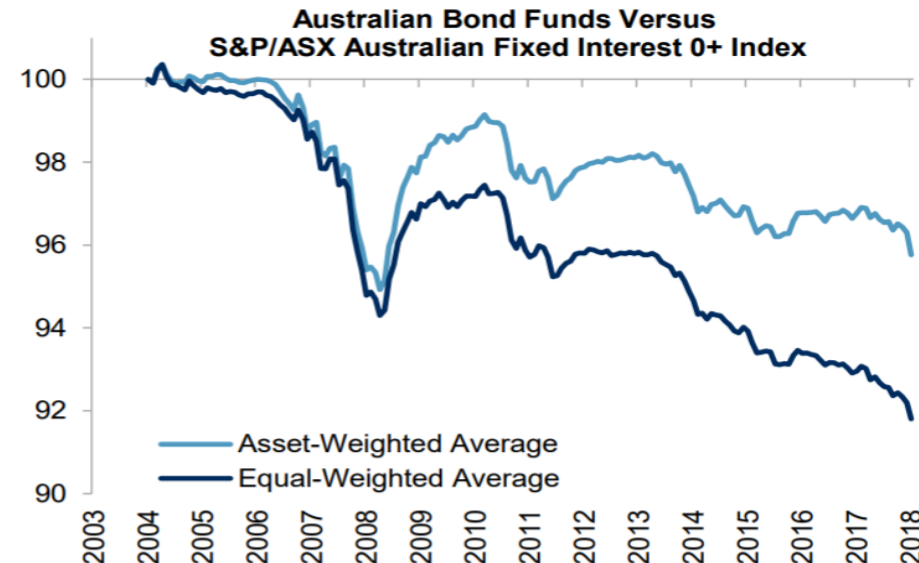


Source: Bloomberg and Morningstar



Is the solution to go active?

- Active can overcome the limitations of passive in fixed income in certain sectors, such as hybrids
- However S&P's 2018 SPIVA report showed 98% of active managers underperformed the S&P Australian fixed interest index over the year
- Over 5 years, 90% underperformed and over 10 years, 70% underperformed ... finding an outperforming manager is therefore difficult
- Active managers tend to overweight credit and lower duration which removes maximum diversification benefits



Source: SPIVA Report 2018

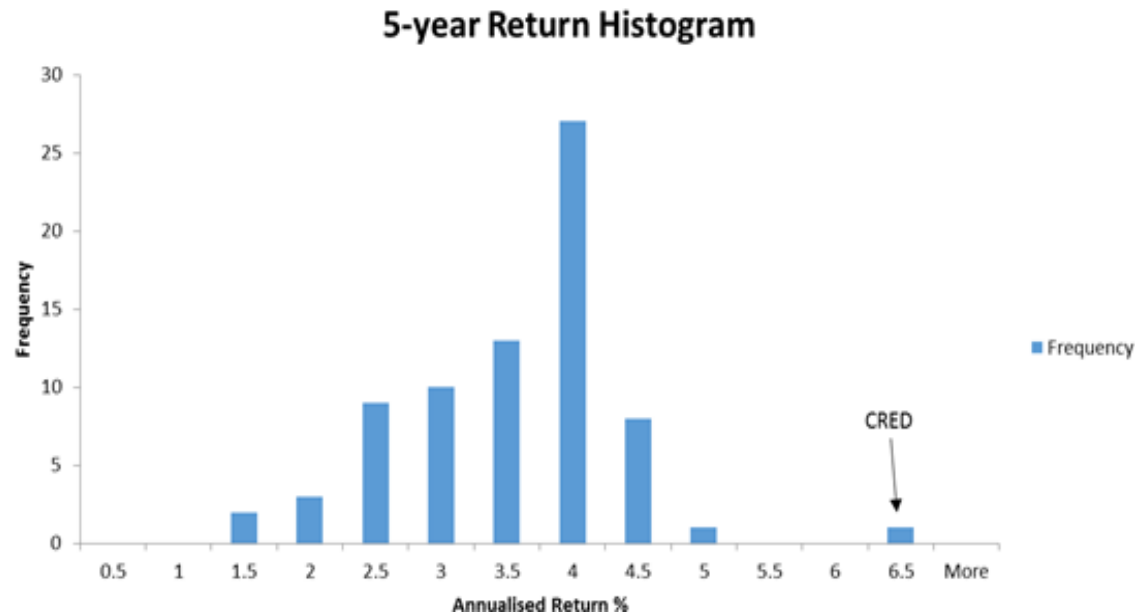


CRED's index outperformed active managers

More pertinently, CRED's Index outperformed the best performing active manager in Australia in each highlighted period to 31/5/2018 by the amount shown below (after reducing CRED Index's performance by CRED's management costs):

- 3yrs: CRED's Index beat the best active manager in Australia by 0.69%p.a.
- 5yrs: CRED's Index beat the best active manager in Australia by 1.39%p.a.
- 10yrs: CRED's Index beat the best active manager in Australia by 1.24%p.a.

5-year return distribution of Australian active bond funds (74 funds)



Source: Source: Morningstar. Past performance is not an indicator of future performance.



Why Long Duration Corporate Bonds?

Correlation of risk premia: 2000-2018

| Comparison | Historical Correlation | Investment Interpretation |
|-----------------------|------------------------|---|
| Duration vs. Credit | -0.3 | Duration and Credit have been negatively correlated. Holding both can be expected to provide 2 sources of "risk premia" or return, whilst simultaneously helping to offset risk against each other |
| Equities vs. Credit | 0.28 | Equities and Credit have been positively correlated. Holding both can be expected to provide 2 sources of risk premia, but to provide little risk mitigation as both are likely to move up and down together |
| Equities vs. Duration | -0.31 | Equities and Duration have been negatively correlated. Holding both can be expected to provide 2 sources of "risk premia" or return, whilst simultaneously helping to offset risk against each other |

Source: Bloomberg. Past performance is not an indicator of future performance.

Plain-speak: Both the credit and duration elements of fixed income can provide sources of income and return, however, only duration can diversify away some of the risks of equities and credit.



Historical Performance

ASX: CRED

| | |
|-----------------------------|--|
| Product Name: | BetaShares Australian Investment Grade Corporate Bond ETF |
| Investment Objective | Aims to track the performance of an index (before fees and expenses) that provides exposure to a portfolio of investment grade fixed-rate Australian corporate bonds. The Fund's strategy will preference securities offering superior expected excess returns over Australian government bonds. |

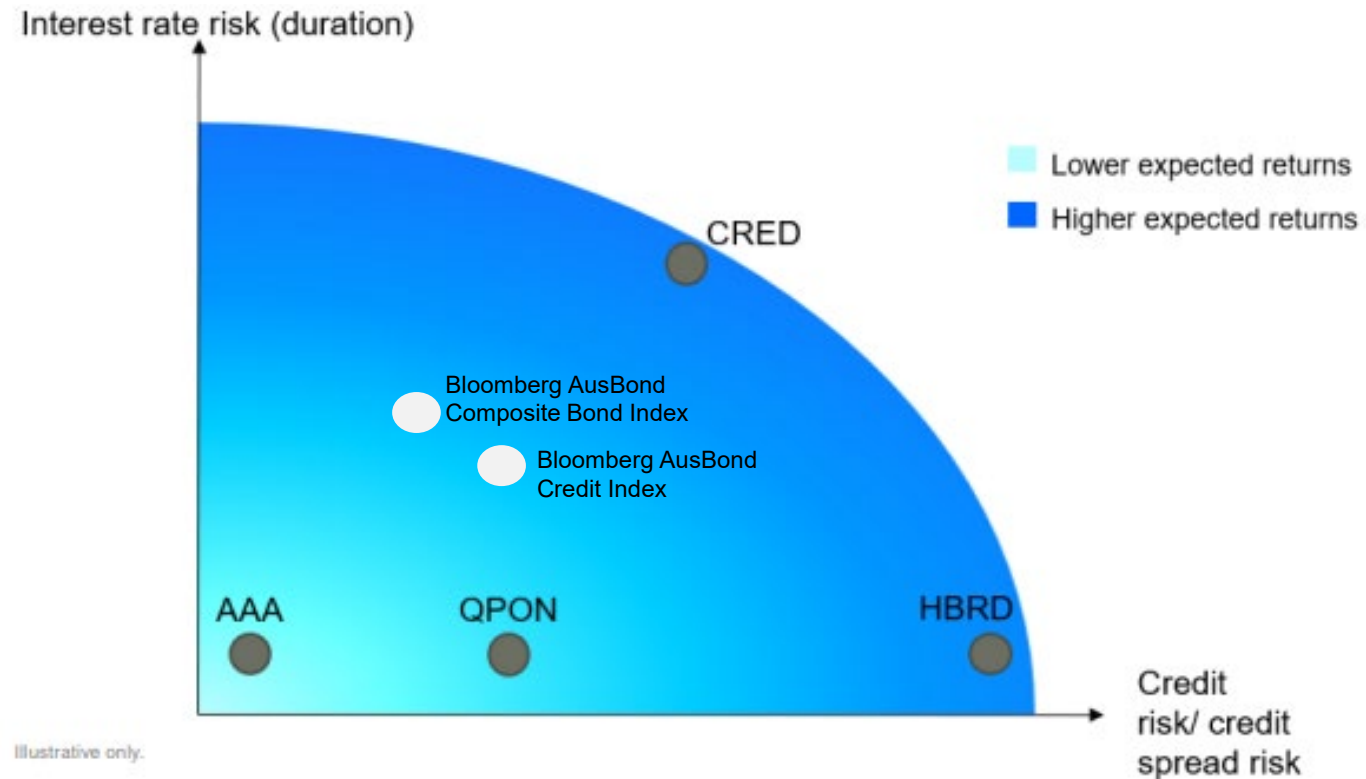
| | CRED's Index | Bloomberg AusBond Composite | Bloomberg AusBond Credit Index | Bloomberg AusBond 5-10y Non-Govt Index | S&P/ASX 200 Accumulation Index | Solactive Australia Senior Bank Floating Rate Bonds | Bloomberg AusBond 5-10-year Treasury Index | RBA CASH |
|---------------------|---------------------|------------------------------------|---------------------------------------|---|---|--|---|-----------------|
| 1y | 5.9% | 5.5% | 4.4% | 6.5% | 1.4% | 2.1% | 7.0% | 1.5% |
| 3y | 5.0% | 3.5% | 4.1% | 4.6% | 10.1% | 3.4% | 3.7% | 1.6% |
| 5y | 6.8% | 4.6% | 4.7% | 6.3% | 7.1% | 3.3% | 5.3% | 1.9% |
| 10y | 7.3% | 5.1% | 5.9% | 6.8% | 10.0% | 4.6% | 5.2% | 2.8% |
| <i>Volatility</i> | 5.1% | 3.3% | 2.1% | 5.0% | 16.8% | 0.5% | 5.7% | 0.2% |
| <i>Max Drawdown</i> | -8.4% | -3.6% | -2.4% | -8.8% | -44.6% | -0.8% | -9.3% | 0.0% |
| 2017 | 7.6% | 3.7% | 5.1% | 6.3% | 11.8% | 4.4% | 3.3% | 1.5% |
| 2016 | 3.8% | 2.9% | 3.8% | 3.8% | 11.8% | 3.5% | 3.2% | 1.7% |
| 2015 | 3.9% | 2.6% | 3.0% | 3.2% | 2.6% | 2.7% | 2.8% | 2.1% |
| 2014 | 15.7% | 9.8% | 8.1% | 14.5% | 5.6% | 4.2% | 13.1% | 2.5% |
| 2013 | 2.4% | 2.0% | 4.3% | 2.0% | 20.2% | 4.3% | -1.3% | 2.8% |
| 2012 | 13.6% | 7.7% | 9.8% | 15.0% | 20.2% | 7.7% | 6.7% | 3.8% |
| 2011 | 13.9% | 11.4% | 9.1% | 12.4% | -10.5% | 5.5% | 18.3% | 4.8% |
| 2010 | 7.8% | 6.0% | 7.1% | 7.9% | 1.6% | 6.0% | 6.5% | 4.4% |
| 2009 | 0.2% | 1.7% | 6.1% | -0.3% | 37.0% | 6.3% | -4.5% | 3.3% |
| Feb to Dec 2008 | 18.8% | 14.3% | 10.9% | 17.1% | -30.5% | 5.4% | 21.2% | 5.7% |

*Inception of the Soloactive Australia IG Corporate Bond TR Index is Feb. 2008; thus data is from Feb – Dec 2008.

As at January 2019. Past performance is not indicative of future performance. Excludes impact of ETF fees and expenses.



Fixed Income Exposure Guide

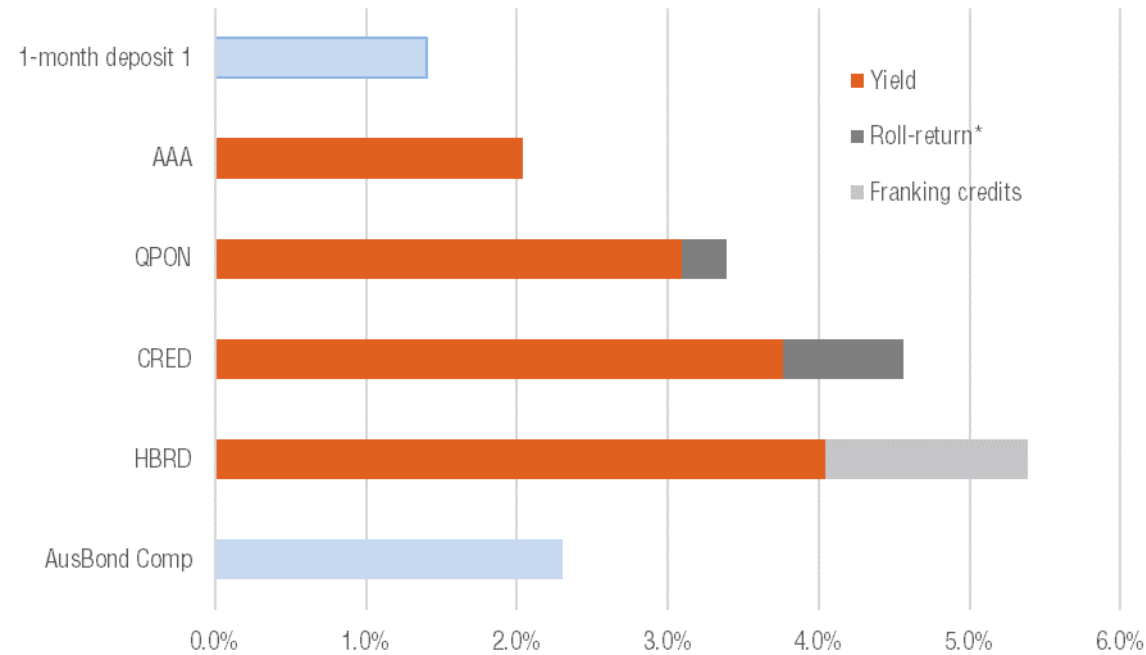


Illustrative only.

Source: BetaShares



ETPs offer attractive defensive income opportunities



Source: Bloomberg, BetaShares, RBA

1. average of 5-largest banks as per RBA website. 2. 12-month distribution yield. 3. yield-to-maturity. 4. running yield, inclusive of franking. Not all investors will be able to obtain the full benefit of franking credits. *Roll return is estimated, assuming no change in yield curve over next 12 months.

Bonds & hybrids have relatively higher risk compared to cash deposits.



QPON Fund Characteristics

| Fund Characteristics | |
|----------------------------------|------|
| Average Yield to Maturity % p.a. | 2.81 |
| Running Yield % p.a. | 2.93 |
| Expected Roll Yield % p.a. | 0.45 |
| Expected Total Return % p.a. | 3.26 |
| Modified Duration yrs | 0.17 |
| Average Credit Rating | A+ |

As at 4 March 2019
Source: Bloomberg, BetaShares. Past performance is not an indication of future performance

Confidential – may not be distributed without the consent of BetaShares Capital



CRED Index Fund Characteristics

ASX: CRED

| | |
|-----------------------------|--|
| Product Name: | BetaShares Australian Investment Grade Corporate Bond ETF |
| Investment Objective | Aims to track the performance of an index (before fees and expenses) that provides exposure to a portfolio of investment grade fixed-rate Australian corporate bonds. The Fund's strategy will preference securities offering superior expected excess returns over Australian government bonds. |

| Index Characteristics | Values |
|---------------------------|--------|
| Constituents | 34 |
| Yield to Maturity (% p.a) | 3.65% |
| Running Yield (% p.a) | 4.02% |
| Average Maturity (yrs) | 7.45 |
| Modified Duration (yrs) | 6.23 |
| Average Credit Rating | A- |

As at 6 March 2019. Yields are variable and may be lower at time of investment.

2019 IMAP Conference

Meeting Client Objectives Using Diversified Portfolios

Brad Bugg

Head of Multi Asset Portfolio Management

Morningstar Investment Management

Matching asset class outcomes with long term objectives is not always easy

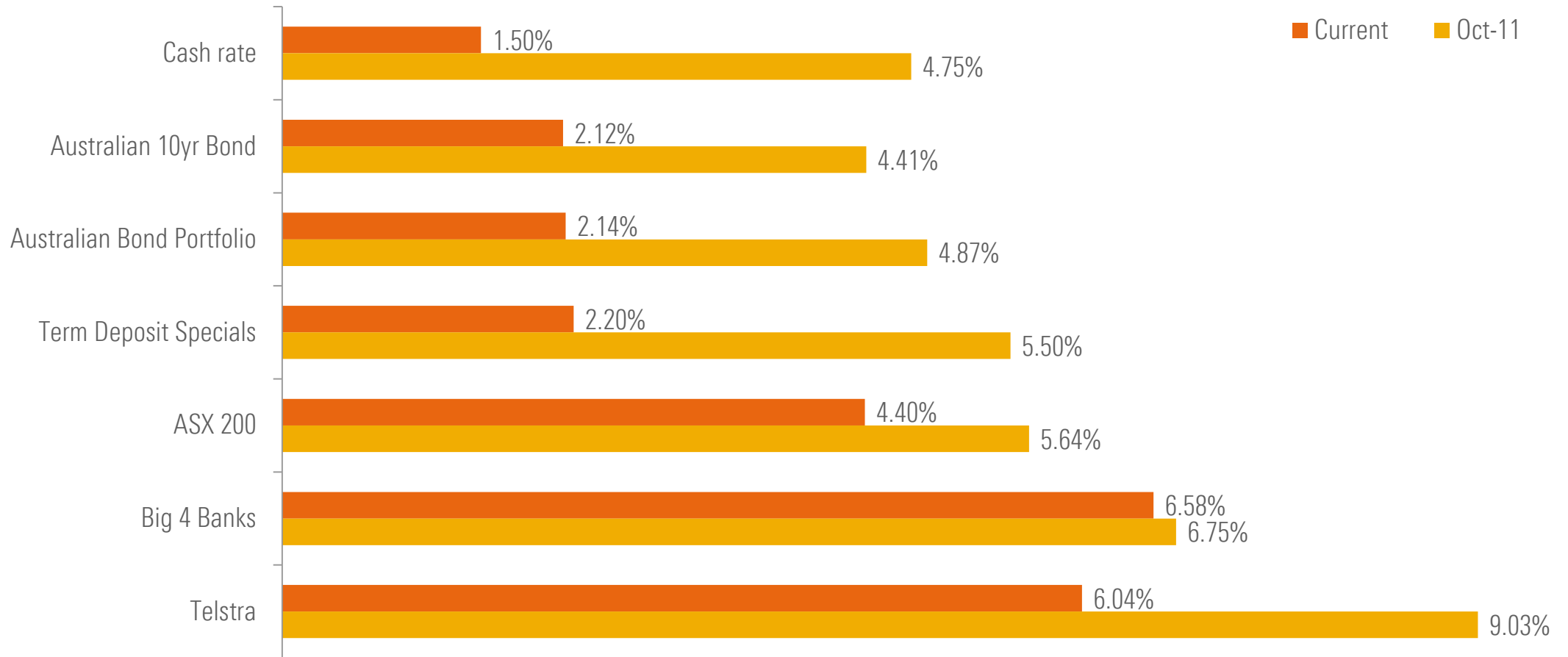
Annual Asset Class Returns - Calendar Year



| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|---------------|-------|--------|--------|---------------------------|-------|-------|------------------------------|-------|-------|----------------------------|-------|-------|-------------------|-------|-------|------------|-------|-------|----------------------|-------|--|
| Asset Class 1 | 24.8% | 18.9% | 14.8% | 11.8% | 32.3% | 32.2% | 22.8% | 34.2% | 17.1% | 14.9% | 57.4% | 13.1% | 11.4% | 32.8% | 48.0% | 26.8% | 14.4% | 13.2% | 20.0% | 4.5% | |
| Asset Class 2 | 17.2% | 12.0% | 10.4% | 11.6% | 14.6% | 28.0% | 19.6% | 34.1% | 16.1% | 9.2% | 37.0% | 9.3% | 10.5% | 20.3% | 20.2% | 15.0% | 11.8% | 13.2% | 13.4% | 3.3% | |
| Asset Class 3 | 16.1% | 11.6% | 8.3% | 8.8% | 8.8% | 26.6% | 16.8% | 24.2% | 6.7% | 7.0% | 9.6% | 6.0% | 4.8% | 14.1% | 7.3% | 10.4% | 10.2% | 11.8% | 11.8% | 1.9% | |
| Asset Class 4 | 5.0% | 6.2% | 5.5% | 4.7% | 6.6% | 9.9% | 12.7% | 11.5% | 6.6% | -24.9% | 8.0% | 4.7% | -1.6% | 9.7% | 2.8% | 9.8% | 3.3% | 7.9% | 6.4% | 1.6% | |
| Asset Class 5 | 0.3% | 5.2% | 4.9% | -8.8% | 4.9% | 8.9% | 5.8% | 6.0% | 3.5% | -38.4% | 3.4% | 1.6% | -5.3% | 7.7% | 2.3% | 5.6% | 2.6% | 5.2% | 3.7% | 1.5% | |
| Asset Class 6 | -1.2% | 2.2% | 1.8% | -9.1% | 3.0% | 7.0% | 5.6% | 5.4% | -2.6% | -53.2% | 1.7% | -0.7% | -10.5% | 6.6% | 2.0% | 2.7% | 2.6% | 2.9% | 3.7% | -2.8% | |
| Asset Class 7 | -4.2% | -14.7% | -10.0% | -27.4% | -0.8% | 5.5% | 3.8% | 3.1% | -8.4% | -55.3% | -0.3% | -2.0% | -21.4% | 3.7% | -0.8% | -3.8% | 2.3% | 2.0% | 1.7% | -8.7% | |
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| | Cash | | | Australian Fixed Interest | | | Int' Fixed Interest (Hedged) | | | Australian Listed Property | | | Australian Equity | | | Small Caps | | | International Equity | | |

Source: Morningstar

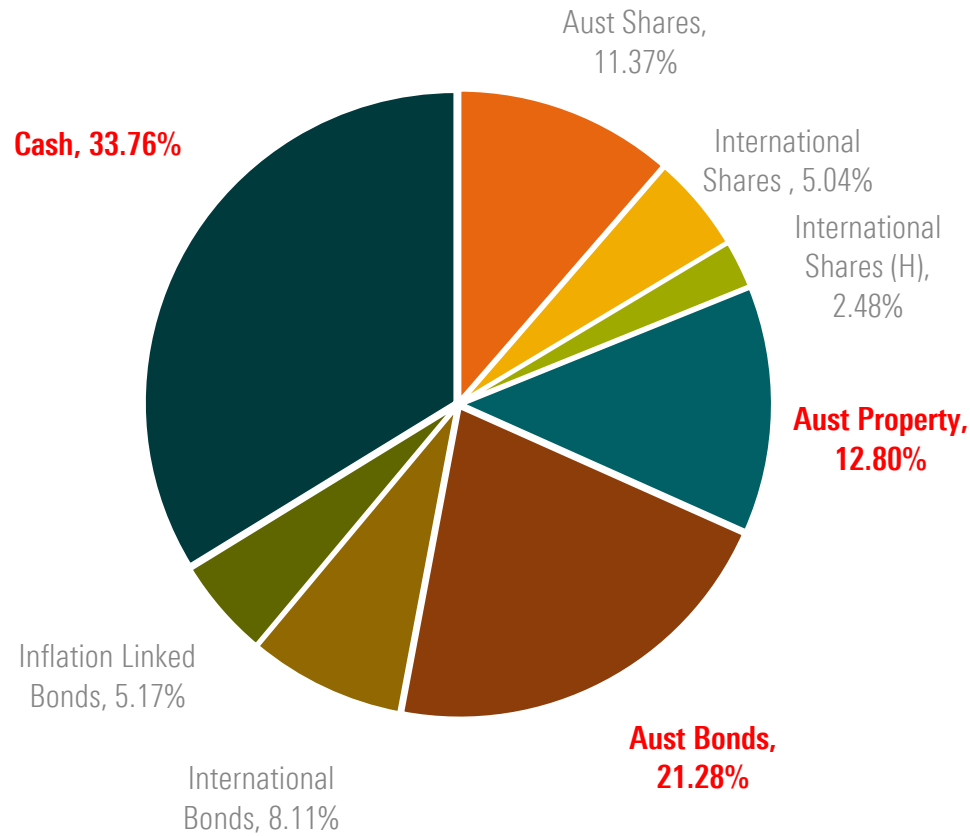
Over the long term, income outcomes can vary significantly



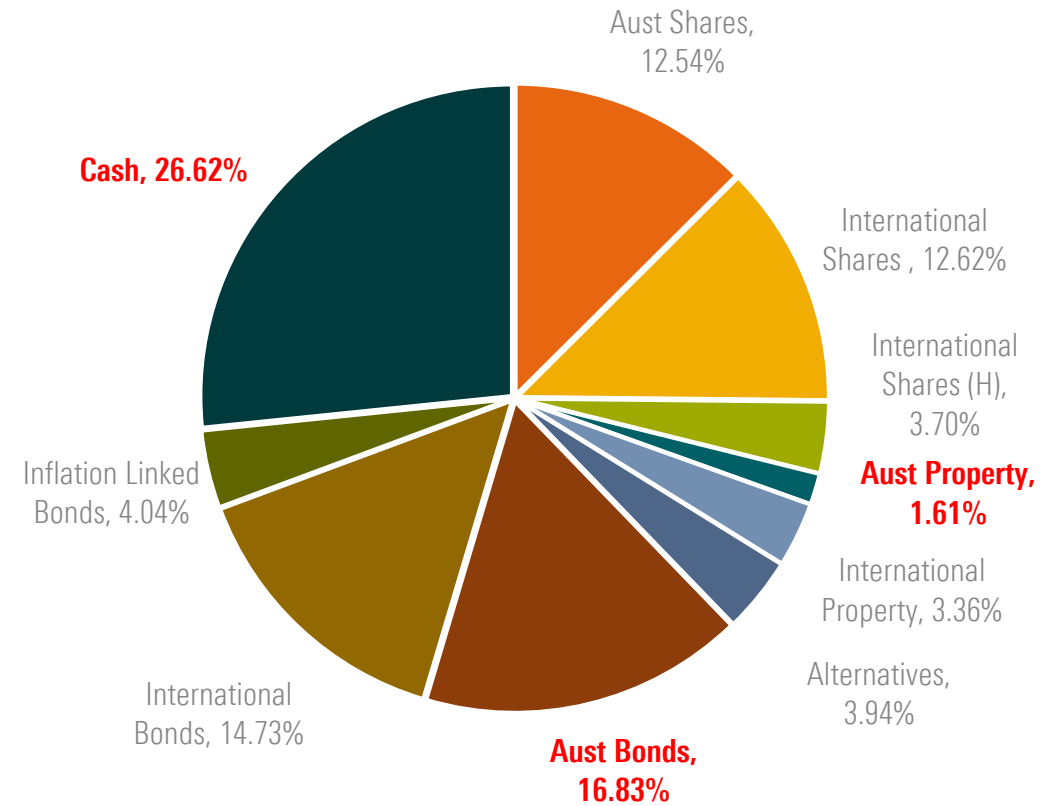
Source: Factset, Morningstar. Data as at end-February 2019

A flexible multi-asset approach offers more consistent outcomes over time

Morningstar Diversified Income
Managed Account Feb 2016



Morningstar Diversified Income
Managed Account Feb 2019



Source: Morningstar

Important information

This document is issued by Morningstar Investment Management Australia Limited (ABN 54 071 808 501, AFS Licence No. 228986) ('Morningstar'). Morningstar is the Responsible Entity and issuer of interests in the Morningstar investment funds referred to in this report.

© Copyright of this document is owned by Morningstar and any related bodies corporate that are involved in the document's creation. As such the document, or any part of it, should not be copied, reproduced, scanned or embodied in any other document or distributed to another party without the prior written consent of Morningstar. The information provided is for general use only.

In compiling this document, Morningstar has relied on information and data supplied by third parties including information providers (such as Standard and Poor's, MSCI, Barclays, FTSE). Whilst all reasonable care has been taken to ensure the accuracy of information provided, neither Morningstar nor its third parties accept responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis or context of the information included.

Past performance is not a reliable indicator of future performance. Morningstar does not guarantee the performance of any investment or the return of capital. Morningstar warns that (a) Morningstar has not considered any individual person's objectives, financial situation or particular needs, and (b) individuals should seek advice and consider whether the advice is appropriate in light of their goals, objectives and current situation. Before making any decision about whether to invest in a financial product, individuals should obtain and consider the disclosure document. For a copy of the relevant disclosure document, please contact our Adviser Distribution Team on 02 9276 4550.

MORNINGSTAR[®]



—

QUESTIONS

—

MORNING TEA



SPONSORS



A longer term perspective on advice businesses

Terry Bell – Business Health

MANAGED ACCOUNT SOLUTIONS

IMAP ADVISER ROADSHOW 2019



DISCLAIMER

Adviser use only

This presentation is given by a representative of Colonial First State Investments Limited ABN 98 002 348 352, AFS Licence 232468 (Colonial First State) and Avanteos Investments Limited ABN 20 096 259 979, AFS Licence 245531 (AIL). It is based on its understanding of current regulatory requirements and laws as at 8 February 2018. While all care has been taken in the preparation of this document (using sources believed to be reliable and accurate), to the maximum extent permitted by law, no person including Colonial First State, AIL or any member of the Commonwealth Bank group of companies, accepts responsibility for any loss suffered by any person arising from reliance on this information.

The presenter does not receive specific payments or commissions for any advice given in this presentation. The presenter, other employees and directors of Colonial First State and AIL receive salaries, bonuses and other benefits from it. Colonial First State and AIL receives fees for investments in its products. For further detail please read our Financial Services Guide (FSG) available at colonialfirststate.com.au or by contacting our Adviser Service Centre on 13 18 36.

Colonial First State is the issuer of interests in FirstChoice Personal Super, FirstChoice Wholesale Personal Super, FirstChoice Pension, FirstChoice Wholesale Pension and FirstChoice Employer Super from the Colonial First State FirstChoice Superannuation Trust ABN 26 458 298 557 and interests in the Rollover & Superannuation Fund and Personal Pension Plan from the Colonial First State Rollover & Superannuation Fund ABN 88 854 638 840 and interests in the Colonial First State Pooled Superannuation Trust ABN 51

982 884 624. Colonial First State also issues interests in managed investment funds including those made available under FirstChoice Investments and FirstChoice Wholesale Investments, other than FirstRate Saver, FirstRate Term Deposits and FirstRate Investment Deposits which are products of the Commonwealth Bank of Australia ABN 48 123 123 124, AFS Licence 234945 (the Bank). AIL is the trustee and issues interests in a number of superannuation funds including Avanteos Superannuation Trust ABN 38 876 896 681 which includes FirstWrap Plus Super and Pension, and provides custodian and/or administration services in relation to superannuation, IDPS, IDPS-Like and managed discretionary account products. Colonial First State and AIL are wholly owned subsidiaries of the Bank. The Bank and its subsidiaries do not guarantee the performance of Colonial First State or AIL's products or the repayment of capital by Colonial First State and AIL.

This document provides information for the adviser only and is not to be handed on to any investor. It does not take into account any person's individual objectives, financial situation or needs. You should read the relevant Product Disclosure Statement (PDS) before making any recommendations. Clients should read the PDS before making an investment decision and consider talking to a financial adviser. PDSs can be obtained from colonialfirststate.com.au or by calling us on 13 18 36.

This presentation cannot be used or copied in whole or part without our express written consent.

© Colonial First State Investments Limited and Avanteos Investments Limited 2018.

MANAGED ACCOUNTS

BUILDING YOUR FUTURE BUSINESS

AN ANALYSIS OF MANAGED
ACCOUNT PRACTITIONERS

ADVISER USE ONLY

Sponsored by
**Colonial
First State**

MANAGED ACCOUNTS – BUILDING YOUR FUTURE BUSINESS

02 BACKGROUND AND METHODOLOGY

This analysis has been prepared by Business Health Pty Ltd with insights derived from the IMAP Business HealthCheck diagnostic tool.

The HealthCheck tool is an innovative web-based application that enables financial advisory practice principals to effectively and efficiently gauge the 'health' of their businesses.

The HealthCheck report provides a comprehensive analysis of the firm's key business areas. It also includes a host of practical ideas and actions designed to help further enhance the business and address any issues of concern.

Using the experience, expertise and market knowledge of Toby Potter and the Institute of Managed Account Professionals (IMAP), a tailored version of the HealthCheck has been developed specifically for financial advisory practices that use managed accounts as part of their investment recommendations.

ABOUT THE DATA

30 MANAGED ACCOUNT PRACTICES | **226** FINANCIAL ADVISORY FIRMS

45,000+ CLIENTS

Information was collected through the HealthCheck process during January and February 2018. The HealthCheck combines a mix of both qualitative and quantitative measures. The depth and breadth of the data collected allows us to not only benchmark the key financial ratios, but also quantify, in terms of actual bottom line profitability, the return that successful principals are receiving on their investment in building stronger, more sustainable practices.

4 ADVISER USE ONLY

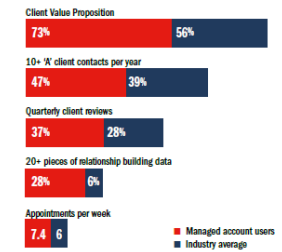
MANAGED ACCOUNTS – BUILDING YOUR FUTURE BUSINESS

03 DRIVING CLIENT ENGAGEMENT

Using managed accounts can improve client engagement and help increase the number of touchpoints throughout the year.

Of the managed account users surveyed, 73% reported an improvement in client engagement. This is largely because these practices are now able to communicate more frequently and meaningfully with each client.

METHODS OF ENGAGING CLIENTS



6 ADVISER USE ONLY

**Colonial
First State**

IMAP
Institute of Managed Account Professionals

**business
health**

THE FEEDBACK IS COMPELLING



**REDUCTION
IN ADMIN**



**IMPROVED
RISK CONTROL**



**IMPROVED
CLIENT
ENGAGEMENT**




**IMPROVED
CLIENT
INVESTMENT
OUTCOMES**

HOW CAN WE SUPPORT YOU?


Dedicated online adviser hub

OUR MANAGED ACCOUNT SOLUTIONS




MANAGED ACCOUNTS ON FIRSTCHOICE

[LEARN MORE](#)



MANAGED ACCOUNTS ON FIRSTWRAP


[LEARN MORE](#)



TAILORED MANAGED ACCOUNT SOLUTIONS ON FIRSTWRAP


[LEARN MORE](#)

A GUIDE TO MANAGED ACCOUNTS




Why managed accounts can work for you

Managed accounts combine the simplicity and scalability of a managed fund with a level of control and flexibility usually only available from a direct investment.




Choosing the right managed account

Managed accounts can have a variety of structures, offering different levels of simplicity, customisation and control.



Reaping the rewards of managed accounts

Used well, managed accounts offer significant potential benefits for clients, advisers and licensees.






Transform your business with managed accounts

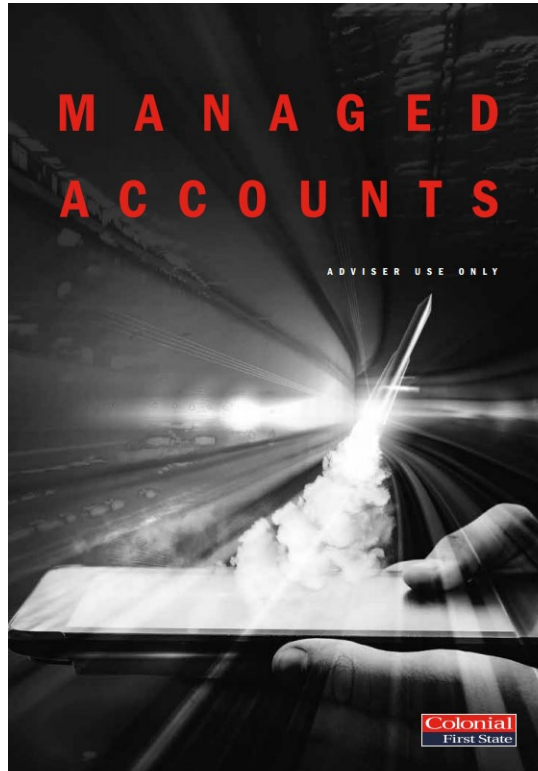
Managed accounts have the potential to transform your business model, helping you take the next step in your business evolution.

*Colonial First State ranked #1 by advisers for Overall Satisfaction in the 2017 Wealth Insights Platform Service Level Report.

RELATED READING

Educational material



MANAGED ACCOUNTS


ADVISER USE ONLY

Colonial First State



Presentation packs

MANAGED ACCOUNT SOLUTIONS

Adviser use only



IMAP Business HealthCheck

Using Managed Accounts? Then Benchmark your Advice Practice - Fully funded by IMAP and Colonial First State


What are the most effective strategies for improving the profitability of your advice business? Increasingly many profitable practices are using managed accounts as a key driver but which type of managed account? And if you are already using managed accounts, how do you compare to the advice profession's most profitable and efficient advice practices?

Working with Business Health and Colonial First State, IMAP has developed an online questionnaire which will help you gain an accurate and objective baseline assessment of your practice, including its use of managed accounts.

Click here to HealthCheck your practice at no cost to you - normally \$425

Using your own, actual data, **Business Health** - one of Australia's leading practice management groups - will evaluate your performance in comparison with your industry peers.

The HealthCheck normally costs \$750+GST, however, if you register by the 9th of February, you'll receive your personalised report completely free.



Implementation checklist

COLONIAL FIRST STATE


MANAGED ACCOUNTS

ON FIRSTCHOICE

GETTING STARTED

For 15 years, FirstChoice has led the way in delivering efficient investment solutions to advice businesses. Building on this success, we're pleased to bring you the next step in the evolution of our platform: Managed Accounts on FirstChoice.

ROLES AND RESPONSIBILITIES




CLIENT
- Guide
- Selection




ADVISER
- Develop advice strategy
- Recommend a managed account based on a client's goals, objectives and return for use
- Implement advice strategy



MANAGED ACCOUNT
- Managed fund
- Managed fund



LICENSEE
- Deliver managed investment portfolios with the business
- Review the portfolio and discuss changes
- Discuss performance and portfolio changes of various managed accounts to advisers



COLONIAL FIRST STATE
- Review and implement portfolio changes
- Make clients the primary beneficiary
- Manage product disclosure regime

THINGS YOU NEED TO DO


- Commit to quarterly tranche rollout timeframes - Desired launch date: _____
- Sign the Advisory Service Agreement
- Complete the Licensee Questionnaire

THINGS TO CONSIDER

- How you'll communicate the addition of Managed Accounts on FirstChoice to advisers in your network.
- Put in place procedures for communicating portfolio changes to advisers and clients.
- Our dedicated Relationship & Training Managers can provide detailed training on how to use Managed Accounts on FirstChoice in FirstNet Adviser.
- Review your advice documentation and compliance requirements. For example:
 - SOA and ROA wording
 - Fact files
 - Process guides.
- Document formal governance frameworks and procedures.
- Access maintenance for adviser onboarding and offboarding.

THINGS TO CONSIDER WITH YOUR ADVISERS

- Identify clients suitable for Managed Accounts on FirstChoice.
- Plan and schedule review conversations with suitable clients.
- Our dedicated Relationship & Training Managers can provide detailed training on how to use Managed Accounts on FirstChoice in FirstNet Adviser.
- Embed new client process.
- Replacement of product advice templates and processes.



A **SHORT & MEDIUM** TERM PERSPECTIVE ON ADVICE BUSINESSES

MARCH 2019

BUSINESS HEALTH PTY LTD
TERRY BELL

terry@businesshealth.com.au
www.businesshealth.com.au



You've got < 5 years to figure out what you might want to change in your service offering, your fee structure, your hiring and your role... and then implement!

Influences

(It's only March & my head hurts!)



- RC, FASEA, Regulation
- Demographics - clients
- Demographics - advisers
- New, different competitors
- New business models
- Industry profile & reputation
- Economy
- The Isolated Adviser



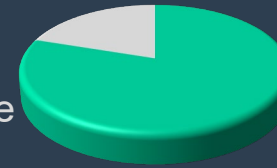
CLIENTS

Today's client

Australian Advisory Industry

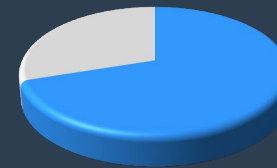
80%

OF KIDS
will move their parents' funds on inheritance



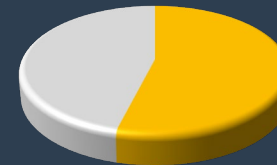
70%

OF WIVES
will move funds on husband's death



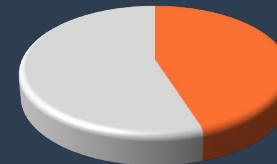
54%

OF CLIENTS
aged 60+



45%

OF CLIENTS
are retirees



Today's client

Maintaining Your Client Base



HIGHEST RATED AREA
RELATIONSHIP

LOWEST RATED AREAS
COMMUNICATION **REVIEW**
PROCESS **RANGE OF**
SERVICES

THEIR TIMES ARE CHANGING
AND SO ARE THEIR NEEDS

TIPS

- Get to know the kids before it's too late
- Regularly check client satisfaction levels (34%)
- Continually communicate (39% >10 contacts per year)
- Always hold review meetings (format can be optional)
- Ensure your services align to clients' needs
- It's all about VALUE

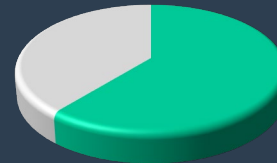
A man in a dark suit stands with his back to the camera on a balcony, looking out over a city skyline. The scene is dimly lit, suggesting dusk or dawn. A large, thin blue circle is superimposed over the center of the image, containing the word "STAFF" in a bold, white, sans-serif font.

STAFF

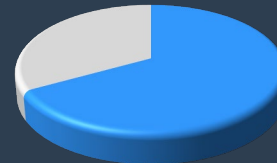
Staff

Australian Advisory Practices

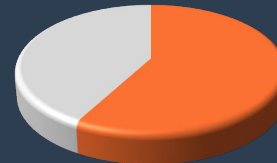
61% **OF TOTAL EXPENSES**
is spent on salaries



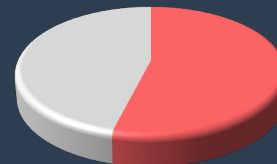
67% **HAVE UP-TO-DATE POSITION DESCRIPTIONS**
for all staff, reviewed within the last 12 months



58% **HAVE UP-TO-DATE PERFORMANCE OBJECTIVES**
for all staff, reviewed in the last 12 months



54% **OFFER ALL STAFF INCENTIVE /BONUS PROGRAMME**



TIPS

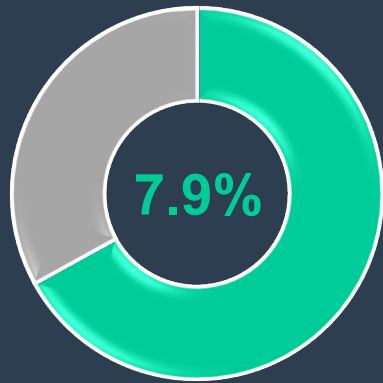
- Seek feedback from your staff, independent & confidential is best (6%)
- Hold regular team meetings (73%)
- Review contracts of employment
- Its not always about the salary
 - Flexibility
 - Work-life balance
 - Personal development
 - Culture
 - Equity
- Don't buy a dog and bark

A person is seen from behind, sitting at a desk and typing on a laptop. The scene is dimly lit, with a blue tint. A large, semi-transparent blue circle is centered over the laptop and the person's hands. The word "BUSINESS" is written in a bold, white, sans-serif font across the center of this circle. In the background, there are some papers and a coffee cup on the desk.

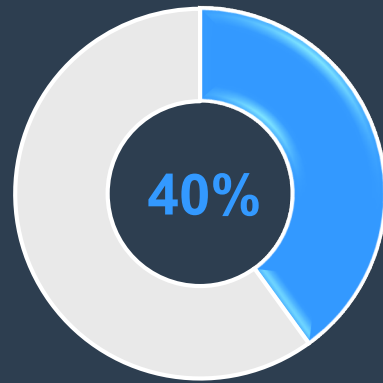
BUSINESS

Business

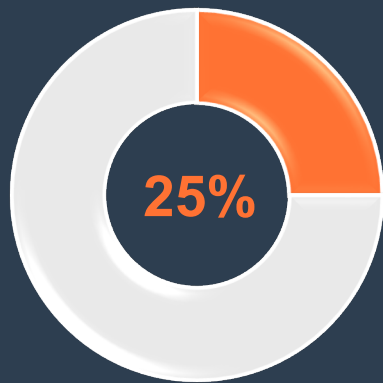
Practice Management Stats & Facts



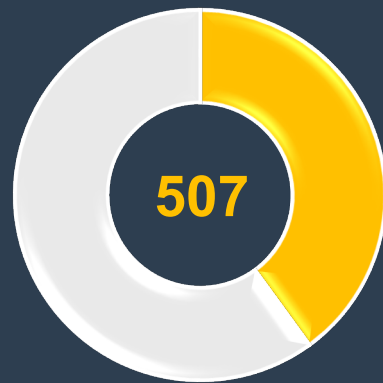
NOTIONAL
PROFITABILITY
OF PRACTICES
WITH <\$500K
REVENUE



HAVE
DOCUMENTED
BUSINESS
PLANS



LEAVING THE
INDUSTRY
OVER NEXT 5
YEARS



NUMBER OF
CLIENTS

TIPS

- Consider your various 'what ifs'
- Scale does matter
- Benchmark regularly
- Utilize external business coach, advisory board (65%)
- Working smarter, not harder
- 30% - 35% profitability

Benefits of using Managed Accounts



87%

Reduction in admin



83%

Improved client
investment
outcomes



73%

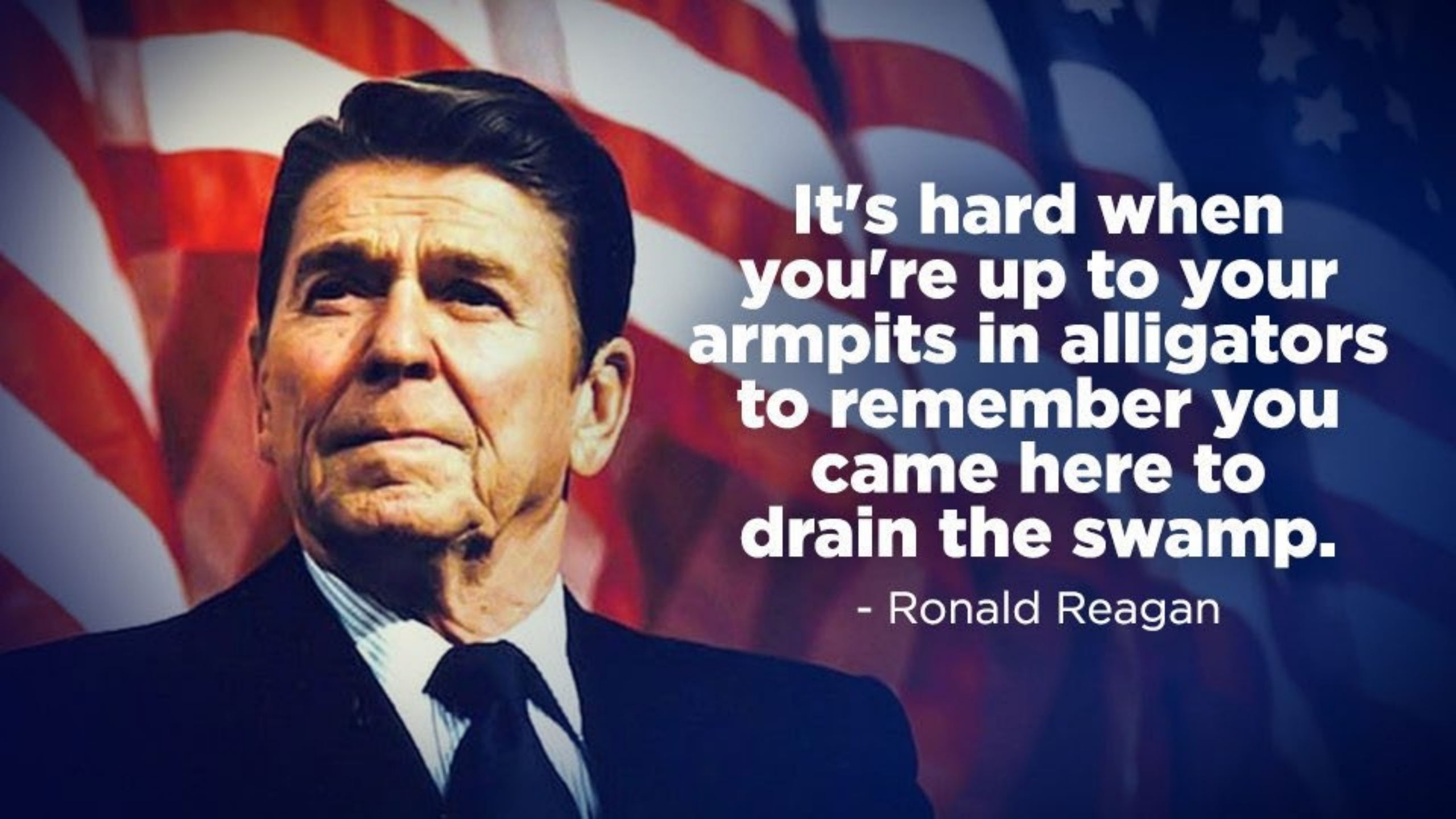
Improved client
engagement



70%

Improved risk control

Where to from here?
(If I were you)



**It's hard when
you're up to your
armpits in alligators
to remember you
came here to
drain the swamp.**

- Ronald Reagan

Invest time to work *on* your business

Overview

1. BOM

- Determine your 4 year view & implement
- Business model
- Evaluate:
 - Revenue flow
 - Expenses
 - Technology
 - People
 - Licensee
- Cash flow + Profitability

2. Review your progress

- External accountability
- Objectively benchmark your practice
- Is everyone satisfied?



ADD TO YOUR
ACTION PLAN
& DO IT!...

And don't forget to ask for help
if you need it.

The isolated advisor

**“Be ready for the future, or be part
of the past “**

- Michael McQueen, Author, Speaker, Futurist



Disclaimer



THE MATERIAL

contained in this presentation is based either on information derived from our proprietary business diagnostics (including research) or from other sources within the market, which we believe to be reliable and accurate.

It is general in nature and does not constitute specific advice.



BUSINESS HEALTH

makes no representation or warranty as to the validity, relevance or accuracy of this information as it pertains to any specific practice or business.





—

QUESTIONS

—



Why our business model will survive

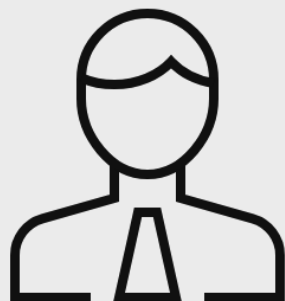
Bianca de Melo – Macquarie

Damon Bensein – Elston

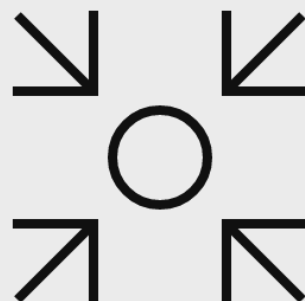
John Barton – MGD

Andrew Baker – Perpetual Private

The role of the adviser is changing



Higher proportion
of client-facing staff



Centralised
relationship model

2/3



Technical
specialist

1/3

What will it take to be a firm of the future?



Clients



Personalisation



Engaging the next generation



Referrals

Systems



Impact



Integration



Data aggregation



Regulation

People



Proportion of client-facing



Reward and retain



Upskill



—

QUESTIONS

—

—

Yes, you can run your portfolios as a
Managed Account

—

Tom Bignill – Mason Stevens
Damian Cilmi - Praemium

IMAP Roadshow 2019

You can still run your portfolios as a managed account

Thomas Bignill – Managing Director



Important information



This presentation is owned by Mason Stevens Limited (ACN 141 447 207), (AFSL 351578). Any content provided in this presentation is for the purpose of providing general information only. Investment in securities including derivatives involves risk. Securities by nature have rises and falls, given that past performance is not a reliable indicator of future performance. Mason Stevens is only providing general advice in this presentation. You should consider this information, along with all of your other investments and strategies when assessing the appropriateness of the information to your individual circumstances. Mason Stevens and its associates and their respective directors and other staff each declare that they may hold interests in securities and/or earn brokerage, fees or other benefits from transactions arising as a result of information contained in this presentation. Mason Stevens ensures that the information provided in this presentation is as accurate and complete as possible but does not warrant its accuracy or reliability. Opinions and or information may change without notice and Mason Stevens is not obliged to update you if the information changes. Mason Stevens and its associated companies, authorised representatives, agents and employees exclude to the full extent by law, liability of whatever kind, including negligence, contract, fiduciary duties or otherwise, to investors or anyone else in respect of any loss or damage, including indirect or consequential loss or damage, foreseeable or not, arising from or in connection with this presentation. The relevancy of this presentation is designed to illustrate the range of products and services that Mason Stevens offer, it may also provide potential investment outcomes for a particular investment strategy. The presentation uses a broad number of simplifying assumptions to do this. As such the output of the presentation should not be taken as an indication of any actual performance of any particular investment. Any investment return(s) and yield assumptions used in the presentation do not represent a prediction or forecast of actual performance of any product or service offered by Mason Stevens Limited.

Unique capability

- Global equities
- Global direct fixed income
- Global managed funds
- Global derivatives
- Multi-currency



Live execution

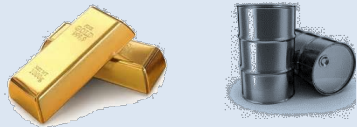
Global reach

Unconstrained investing

GLOBAL EQUITIES



GLOBAL DERIVATIVES & COMMODITIES



MARGIN LENDING

Wholesale Margin
Lending



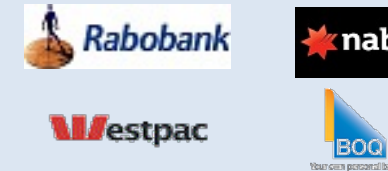
One Account

MANAGED ACCOUNTS
& MANAGED FUNDS

FOREIGN EXCHANGE



TD HUB



FIXED INCOME

Corporate Bonds,
RMBS, Sovereign

Global market access

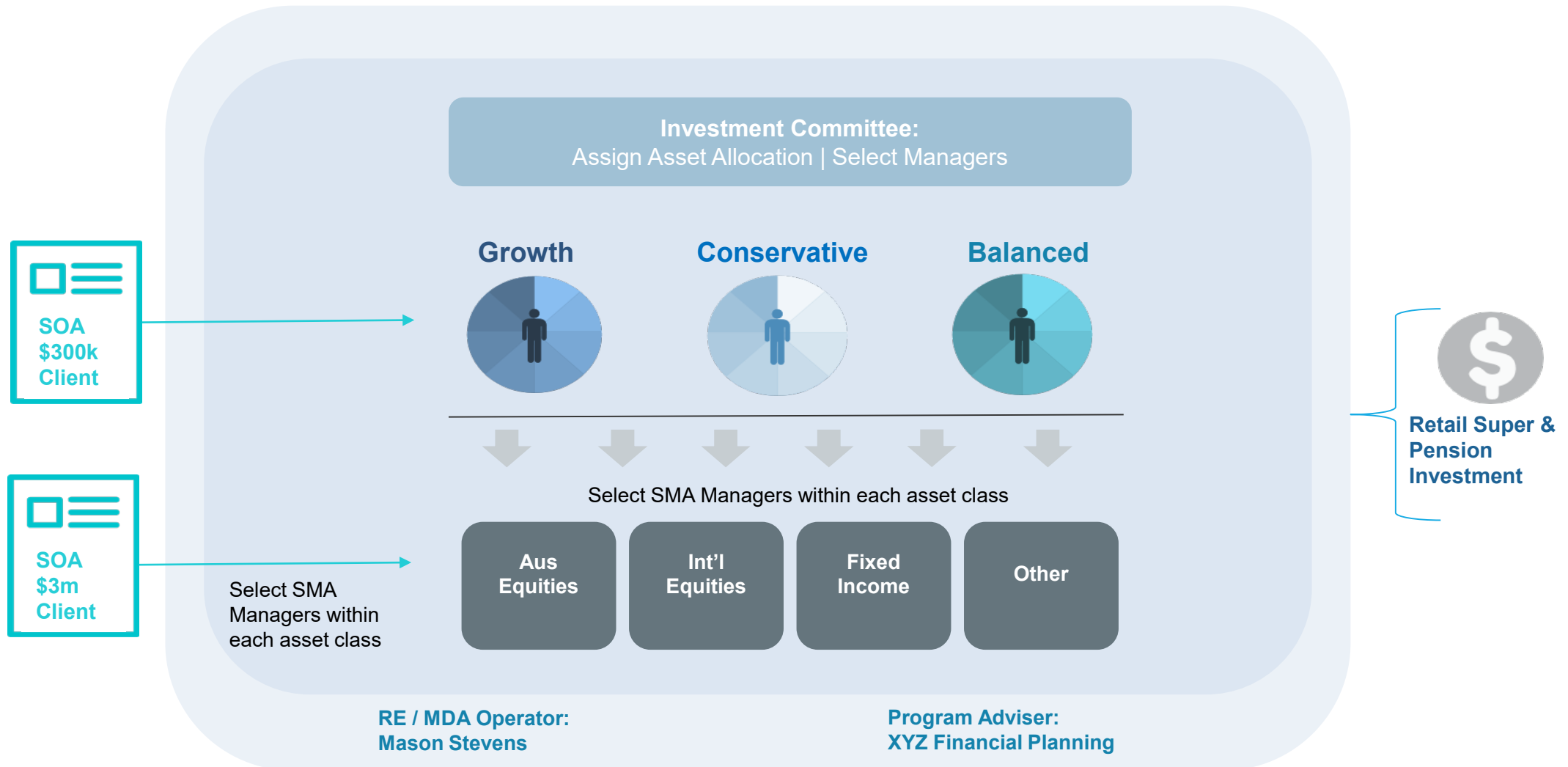


Managed Account structure

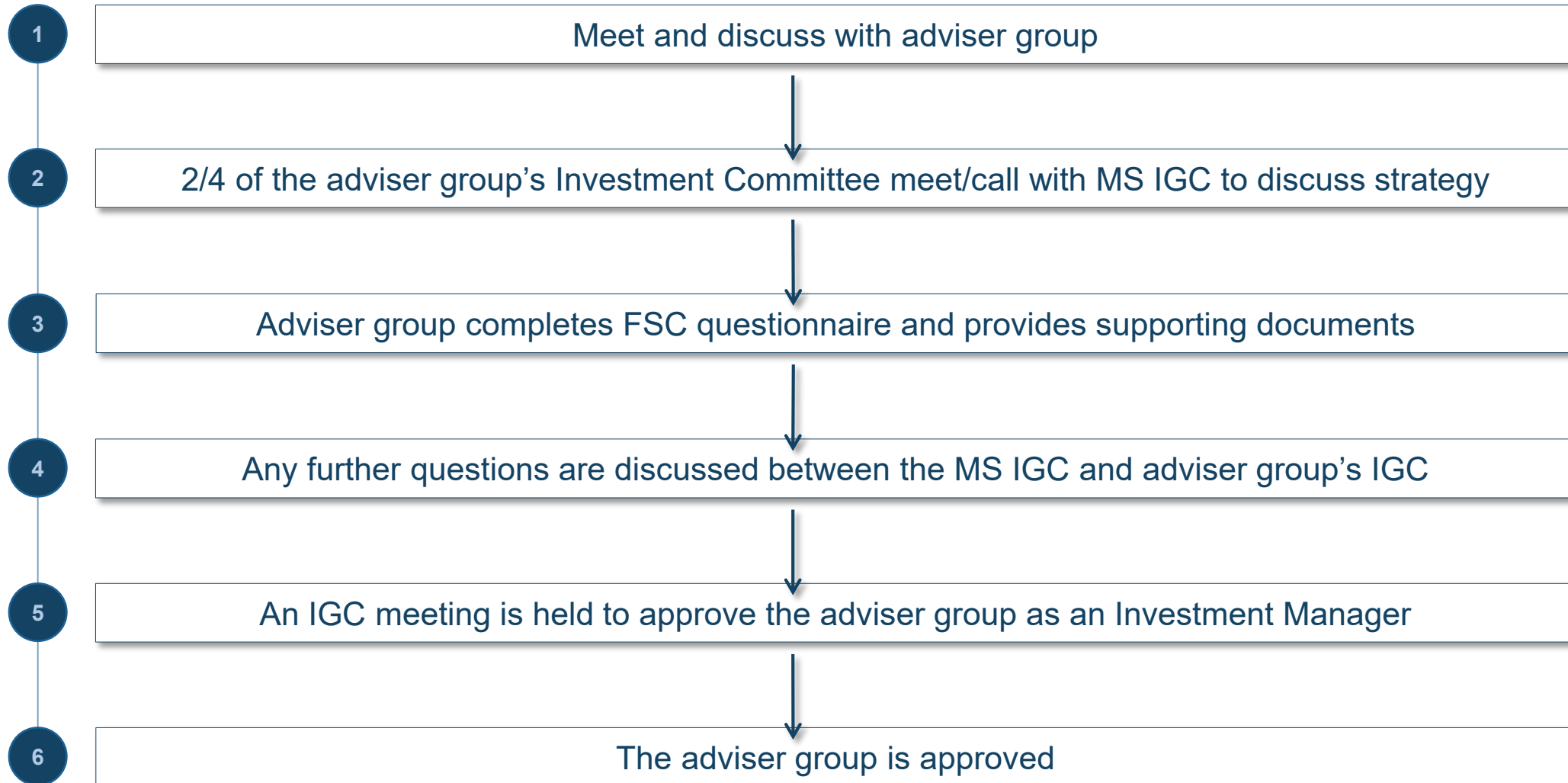


Your Managed Account service

A scalable risk appropriate solution for all your clients



Adviser group mandate set up



Process continues after approval

- FSC Review
- Managed fund/SMA review, performance summary
- IGC Paper preparation and submission
- IGC ongoing review and meetings
- Managed Portfolio Disclosure Document creation
 - Stakeholder review
 - Typesetting/proofreading
- System set-up and implementation



IMAP Adviser Roadshow

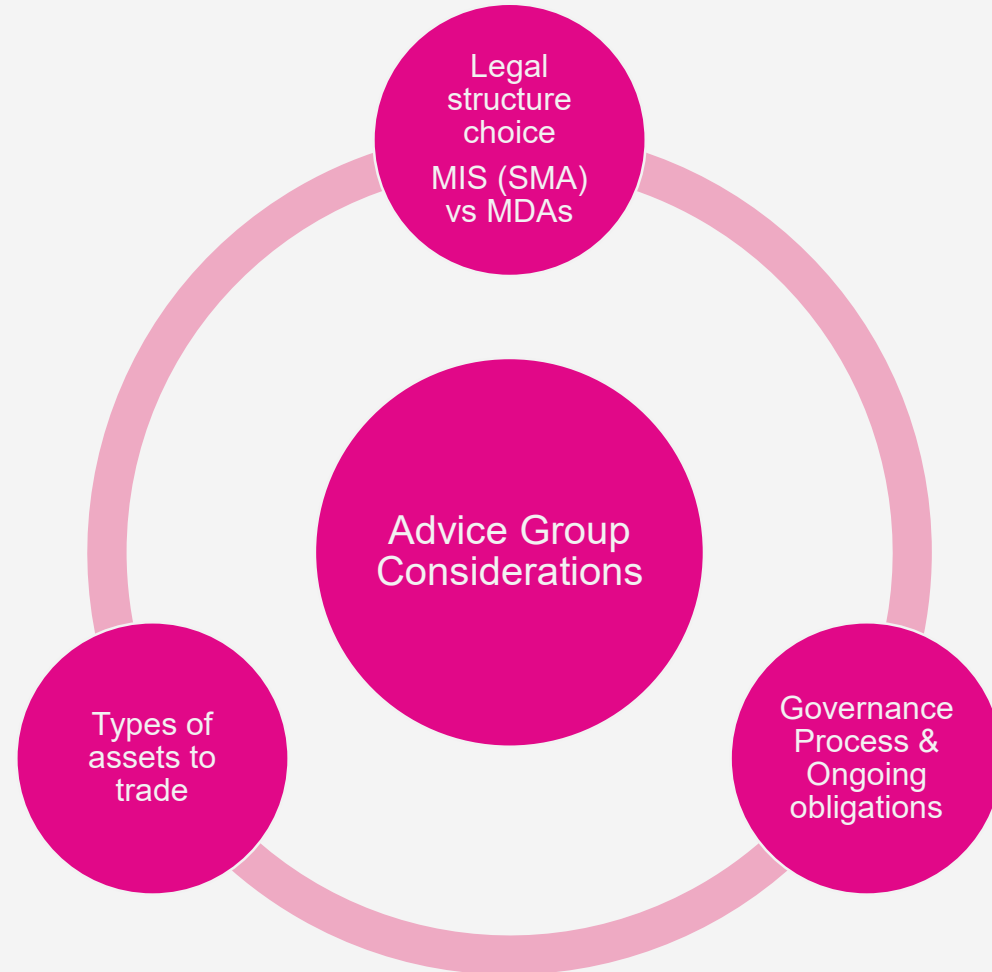
You can still run your portfolios as a managed account

PRESENTED BY

Damian Cilmi

Head of Investment
Managers & Governance

What legal structure is beneficial for my business?



What is required

- You are being appointed as an Investment Manager and therefore able to meet those standards
 - ✓ Investment Strategy
 - ✓ Mandate design
 - ✓ Ensure you are suitable to manage the model

- We are looking for:
 - Organisational and Regulatory Governance controls
 - Capability to manage the mandate and meet the objectives
 - Ability to manage Mandate Compliance

Key factors for successful RE appointment

▪ Parent

- ✓ Governance – use of Independent advisors
- ✓ Conflict of Interest Management – understanding additional business lines
- ✓ Systems used in the investment process
- ✓ Specific Risk Assessment of running an asset management business

▪ People

- ✓ Calibre and Investment experience of key staff
- ✓ Expertise to match the areas of investment – e.g. Asset Allocation specialists
- ✓ Collective tenure of the investment team

▪ Process

- ✓ Documented
- ✓ Clear Investment philosophy logically implemented
- ✓ Robust and Repeatable process
- ✓ Understanding of key outsource providers
- ✓ Mandate monitoring

▪ Performance

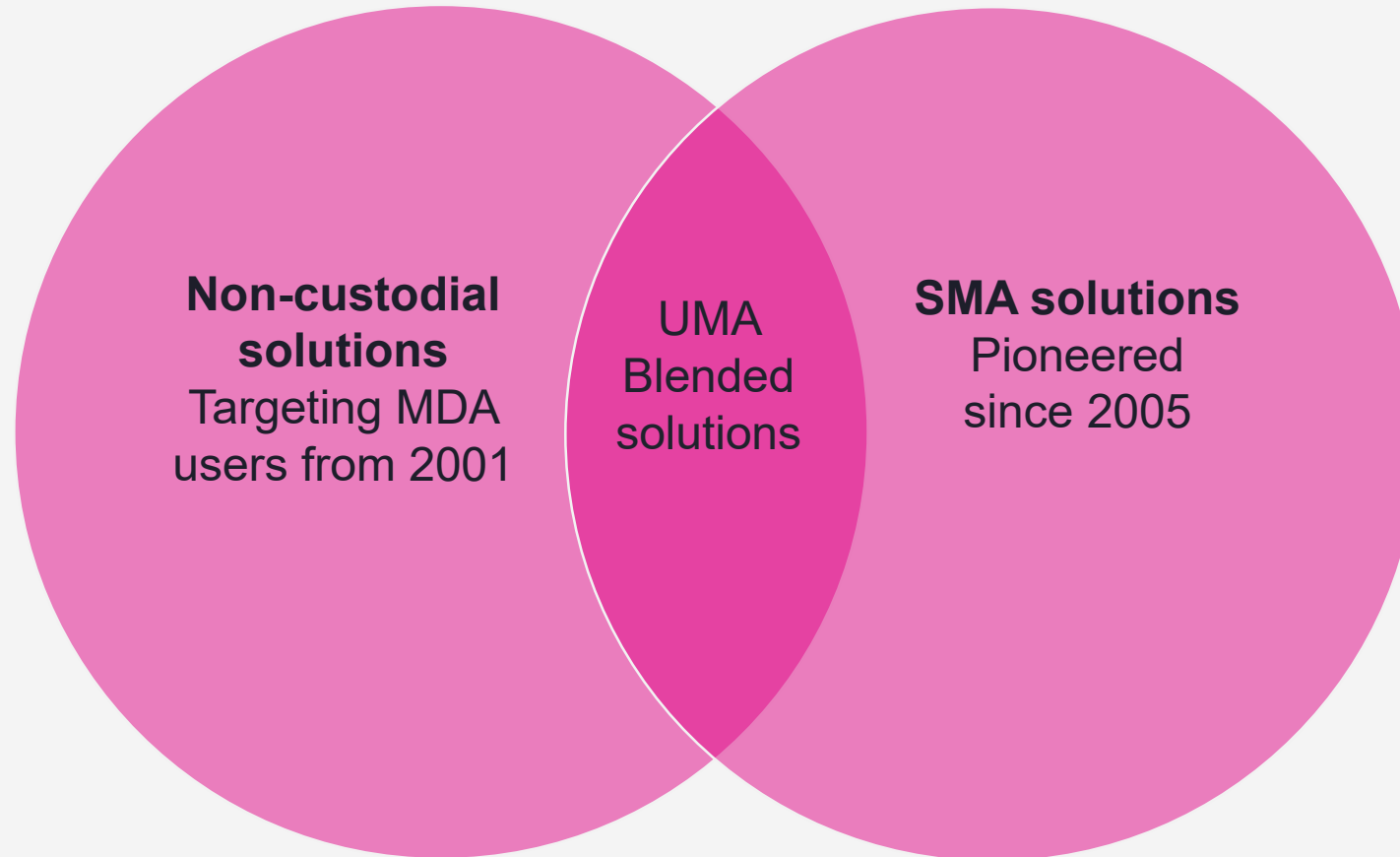
- ✓ Provide Track Record
- ✓ Demonstrate sources of return
- ✓ Ability to provide attribution in the future

So can you run a portfolio as a managed account?

- Yes!
- It's not a choice between MDAs vs SMAs, they are not mutually exclusive
- Blend these different legal structures for either
 - Segmented use for different clients across your client base or
 - Use SMAs within a MDA structure
- Platforms need open architecture to support various structures
- Users are getting more discerning about holding assets on custody and looking for more non-custodial solutions

Praemium's holistic approach

A platform built to recognise the combined use of both MDAs and SMAs





Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (13 August 2018) and is supplementary to the Group's financial results released to the ASX on 13 August 2018 and previous ASX filings as applicable.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Praemium's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements.

Praemium does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Praemium's control.

Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the Praemium Group or any of its related bodies corporate.



contact us

Level 19, 367 Collins Street,
Melbourne, VIC 3000
Ph: 1800 571 881

E: support@praemium.com.au
praemium.com.au



twitter.com/praemium



[linkedin.com/praemium](https://www.linkedin.com/company/praemium)



—

QUESTIONS

—

LUNCH



SPONSORS