

IMAP 2020 VIRTUAL INVESTTECH

SPOILT FOR CHOICE - BESET BY RISK

Session 5
Advice Technology Success Stories
- WealthO2 and Praemium

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DATA IS JUST
THE BEGINNING



Type in your Question and Quiz instructions





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Advice Technology Success Story

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Shannon Bernasconi – WealthO2



InvestTech 2020

11th Sept 2020



Tailoring Managed accounts



Scalable Client Portfolio Tailoring



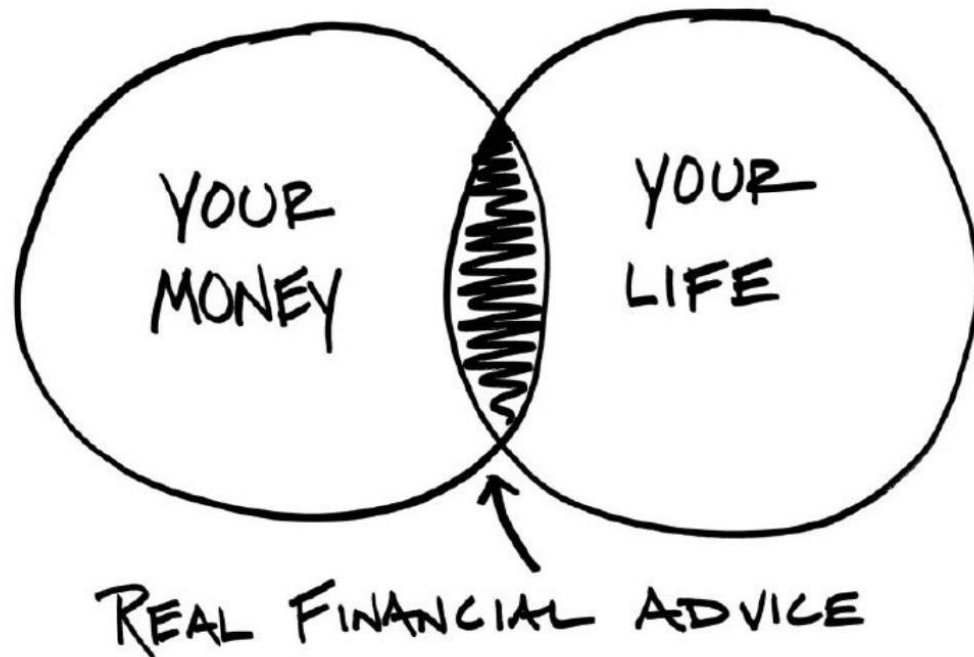
Rebalancing tailoring for client or market

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Execution Alpha

Scalable Client Portfolio Tailoring

Tailoring for clients



- Minimum Parcel Size – Minimise brokerage and “noise for accountants”
- Default securities _ Keep the clients fully invested
- 45 or 365 day rule parcel sale override
- 100% allocation blend of models / securities and models – Tailor to the blend that’s right for clients
- Do not BUY override – Ethical or Directorships
- Existing holdings Do not SELL override _ Tax effective or emotional bias holdings
- Security and asset class tolerances

Portfolio Rebalancing Tailoring

Tailoring for clients on rebalance execution



MARKET CONDITIONS

- Trade all Asset Classes today?
- Trade all assets in an asset class today?
- Trade all models today?

OPPORTUNITY

- Get into an asset
- Sell out of a failing asset
- Optimise the rebalance for parcel optimisation

Execution Alpha

Getting the best out of the market



- ETF's _ Managing orders and ensuring liquidity from Market Makers
- Limit orders in times of Volatility
- All day intra day trade execution
- Bulk at single price and rebooking
- Liquidity management

Questions?





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Advice Technology Success Story

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Adam Pointon and Damian Cilmi of Praemium



PRESENTED BY

Damian Cilmi

Adam Pointon

IMAP InvestTech Praemium ESG Screening

September 2020



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Landscape of ESG

- » Investor demand is surging – 84% of respondents want ability to tailor their portfolios to their impact objectives. 52% take part in at least one sustainable investing activity (*Morgan Stanley Institute for Sustainable Investing 2019*)
- » Product Supply is increasing volume of ethical investment options and managers to assess and research
- » Information Supply is increasing - Ongoing research and monitoring of stocks to ensure ethical considerations continue to be met
- » Broad range of different ethical considerations difficult to achieve a scalable solution
- » Clients often prioritise a few ethical considerations and less concerned about others
 - » 32% of consumers want Fossil Fuel exclusions vs 5% of AUM excluding it. Reverse is true; 30% of AUM excluding Tobacco vs only 9% of consumers requesting it. (*RIAA Benchmarking Report 2019*)

Traditional ESG Management

Option 1: Buy Pooled vehicles and hope they meet investor demands (now and with future holdings)

Option 2: Build a custom IMA stock portfolio

Option 3: Utilise SMA Portfolio and manually exclude or substitute stocks

A lightbulb is shown in the background, with a globe of the Earth inside it. The lightbulb is glowing, and the globe is semi-transparent, showing the continents. The background is a light blue gradient.

Innovation process

- » We looked at the myriad of problems Advisers faced with ESG
 - »All clients want different customisations to their portfolios
 - »Researching ESG policies and holdings of pooled vehicles
 - »Researching ESG and activities of listed companies
- » We wanted to do it properly, what would result in a great experience?
- » What echoes the strengths and benefits of managed accounts

If we could source detailed and ‘alive’ research, then apply it ongoing across a managed-account experience, at scale - we would truly improve the lives of both Investor and Adviser, and to a degree investment-managers, whilst seeking to improve the world

Praemium ESG management vs Traditional ESG management

Traditional

Initial Advice

- Client invests \$500k into DNR Australian Equities SMA
- Client does not wish to invest into companies that support Thermal Coal or Gambling.

Advice Implementation

- Investment made into DNR Australian Equities SMA
- Adviser immediately excludes BHP given client's preferences for no Thermal Coal stocks. Currently no Gaming stocks

Client Management

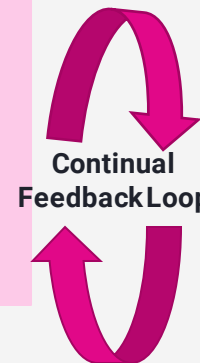
- Adviser reviews client's portfolio annually and discovers Metcash is now contained in the DNR SMA. Metcash now owns pubs that hold '000s of gaming machines.
- Advisers speaks to clients and makes further changes to portfolio to now exclude Metcash

Praemium

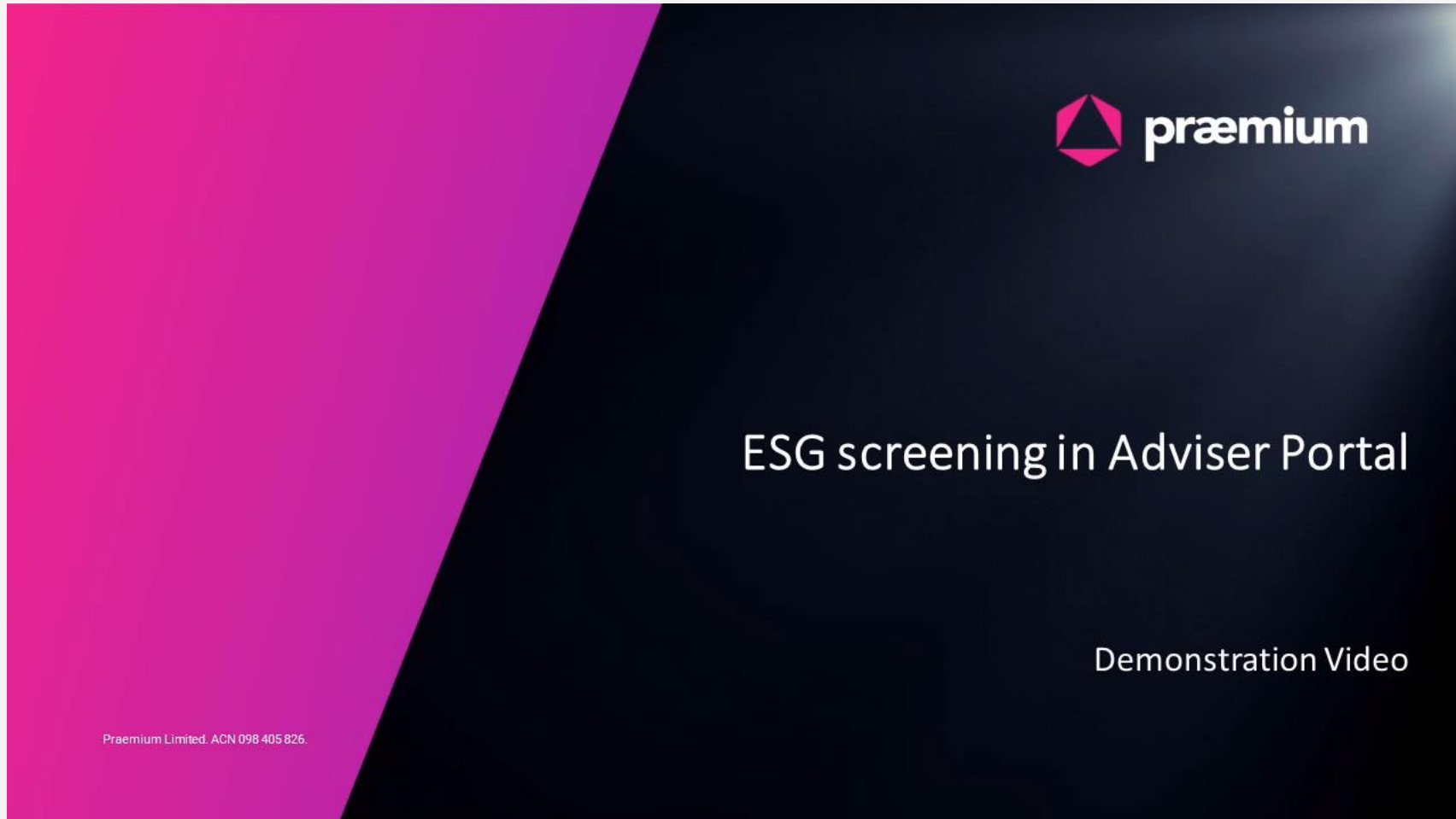
- Via the Praemium platform, Sustainalytics data highlights BHP has Thermal Coal activities, equating to 5% of the clients' DNR portfolio.
- ESG Filter service will either sell down and stop the portfolio buying BHP. 5% weight proportionally re-weighted to other model holdings. No drag

- Via Praemium the adviser applies the gambling and thermal coal filters to ensure they are applied against any new stocks introduced into the DNR Australian Equities SMA.

- Sustainalytics identifies Metcash has purchased 8 hotels that hold gaming licenses.
- Praemium immediately notifies the adviser and client about the portfolio impacts if the gaming filter is maintained.
- Praemium to sell down MTS unless otherwise instructed.



ESG Screening



Dynamic Management and Ongoing support

- » The ESG Product Involvement research is regularly reviewed and updates made each month
- » New activity or increased research can result in companies entering or exiting ESG filters each month
- » Ensures that ESG filters are constantly updated and relevant to investor portfolios – true to label
- » Praemium provides a notice period to keep investors informed or allow them to take preventative action should they not want a stock to be sold down due to entering an ESG filter

Praemium ESG Exclusions Update

01.06.2020

Dear investor,

We wish to notify you of a recent change impacting your Environmental, Social & Governance (ESG) settings that you have placed on your Praemium SMA account.

The Praemium product involvement and business activity research process has identified the following security that you currently hold, as undertaking activities that do not meet with your selected ESG exclusions.

Security Description: Coronado Global Resources Inc (Code: CRN.ASX)

ESG Exclusions Our research has identified that Coronado is now extracting **Thermal coal**.

Coronado Global Resources Inc is a producer of metallurgical and thermal coal with projects in Queensland, Australia, and in Virginia and West Virginia in the US. The company discloses that revenues derived from the production of thermal coal amounted to 6.40% of the company total revenue (AUD 1,980,504 million) in FY2018. For further information, refer to Annexure A.

Next Steps

On the 30 of June 2020, Praemium will update the Thermal Coal exclusion list to include Coronado Resources Limited.

What are my options:

We recommend you speak to your financial adviser regarding the following options for your account:

a) Update your account to reflect the new ESG exclusion

On the 30 of June 2020 Premium will sell your Coronado Resources Limited holding, with your sale proceeds allocated on a pro-rata basis across your remaining holdings. This action will ensure your portfolio continues to align with your selected ESG exclusions.

b) Retain your current Coronado holding

If you wish to retain your current Coronado holding, please contact your financial adviser by no later than 27 June 2020 to advise your preference. Your financial

Summary

- » Delivering specific ESG solutions to specific investors is very difficult and not scalable
- » It's in high demand and growing
 - » Advisers believe FASEA COE Standard 6 requires ESG considerations
- » Managed Accounts are the best vehicle to deliver scalable solutions with some tailoring
 - » Benefits utilised primarily by advisers
 - » Benefits are being understood by Model Managers needing to deliver specific mandates
- » Increases the engagement level of investors with their Portfolio and Adviser. Managed Accounts are the conduit



Thank you

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



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InvestTech2020

Session 5 Quiz

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MONDAY 7TH SEP 12.00PM

SPOILT FOR CHOICE IN ADVICE SOFTWARE - WHAT AND HOW TO CHOOSE

PETER MOYN INQUIRO



WEDNESDAY 8TH SEP 12.00PM

ROLE OF THE LICENSEE IN TECHNOLOGY

TANYA SEALE LA VISTA
PART OF THE CLEARVIEW/MATRIX GROUP OF LICENSEES



MONDAY 7TH SEP 12.30PM

SPOILT FOR CHOICE IN MANAGED ACCOUNTS

BRETT SANDERS PHILO CAPITAL ADVISERS
ZAC LEMAN FI
MODERATED BY TOM SCHUBERT
DORRIMOND CAPITAL PARTNERS



WEDNESDAY 8TH SEP 12.30PM

WHAT DO THE ROBOS KNOW THAT YOU DON'T

PAT GARRETT SIX FIVE
TIM FULLER NUCLEUS WEALTH



TUESDAY 8TH SEP 12.00PM

THE POWER OF DATA IN INVESTMENT DECISION MAKING

DR ALEX JOHNSTON REFINITIV
NICK MORTON RESONANT ASSET MANAGEMENT
MODERATED BY MICHELLE CAMERON REFINITIV



THURSDAY 10TH SEP 12.00PM

DIGITAL PORTFOLIO MANAGEMENT

MARE WINGARDH MACQUARIE
JAMES VERNER FRANKLIN TEMPLETON
ALEX YPSILANTI QUANTIFEST



TUESDAY 8TH SEP 12.30PM

REALISING THE BENEFITS - HOW TO AVOID IT FAILURES

ANDREW D'ARCY



THURSDAY 10TH SEP 12.00PM

INNOVATION WINNER - IMAF MANAGED ACCOUNT AWARDS 2020

WADE MATTERSON WILLMAN

InvestTech2020 Quiz Winners

William Tomac – Fidelis Private Wealth

John Zahra – Investment Collective

Daniel Park – AIA

Margaret Blunden – Mercury Private

Chris Smith – Implemented Portfolios

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