IMAP ADVISER ROADSHOW 2020

Professionalisation - What it means for Advice businesses

Upcoming events

–

19 March	Sydney Adviser Roadshow
24 March	Webinar - State of the Managed Account market
1 April	Melbourne Adviser Roadshow
8 April	Webinar - Real Assets and Infrastructure in a Managed Portfolio

IMAP
Institute of Managed Account Professionals

IMAP ADVISER ROADSHOW 2020

MC – Bala Shastri

Scan the QR code to access event material

Have the bushfires changed the investing landscape as well?

Leah Willis Australian Ethical

Charles Stodart Zurich

Louise Edkins Ethical Investment Advisers

Moderator: Bala Shastri *ris*conomy

IMAP roadshow 2020
The rise of ethical investing

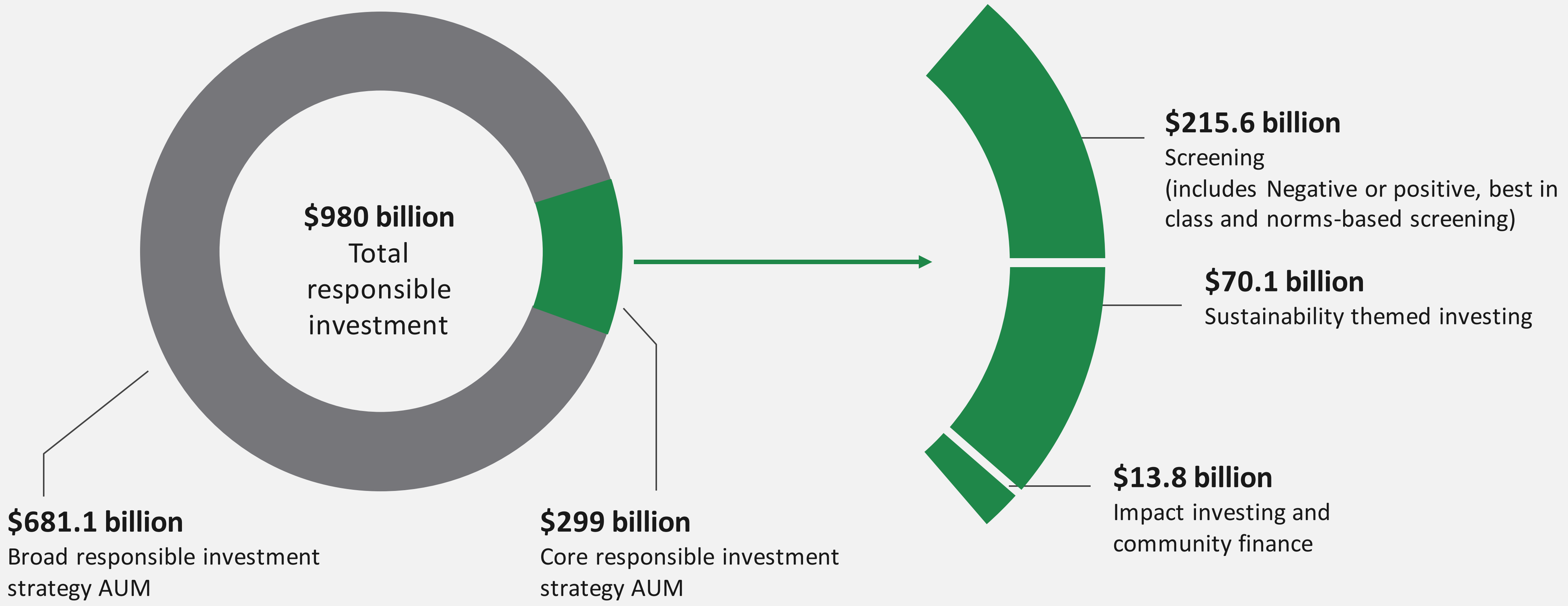
Leah Willis – Head of Client Relationships Australian Ethical

australianethical

March 2020

Growth of responsible investing in Australia

Total responsible investment $980 billion



Source: Responsible Investment Association Australasia 2019 Benchmark report

Dimensions of responsible investing

ESG integration

The explicit inclusion of environmental, social and governance (ESG) factors into traditional financial analysis.

Portfolio screening

Does or does not invest in sectors, companies, practices or countries based on ESG or ethical criteria.

Corporate advocacy

Influences corporate behaviour through direct engagement and shareholder action.

Sustainability themed

Focuses on investment in themes or assets specifically related to sustainability factors.

Impact investing

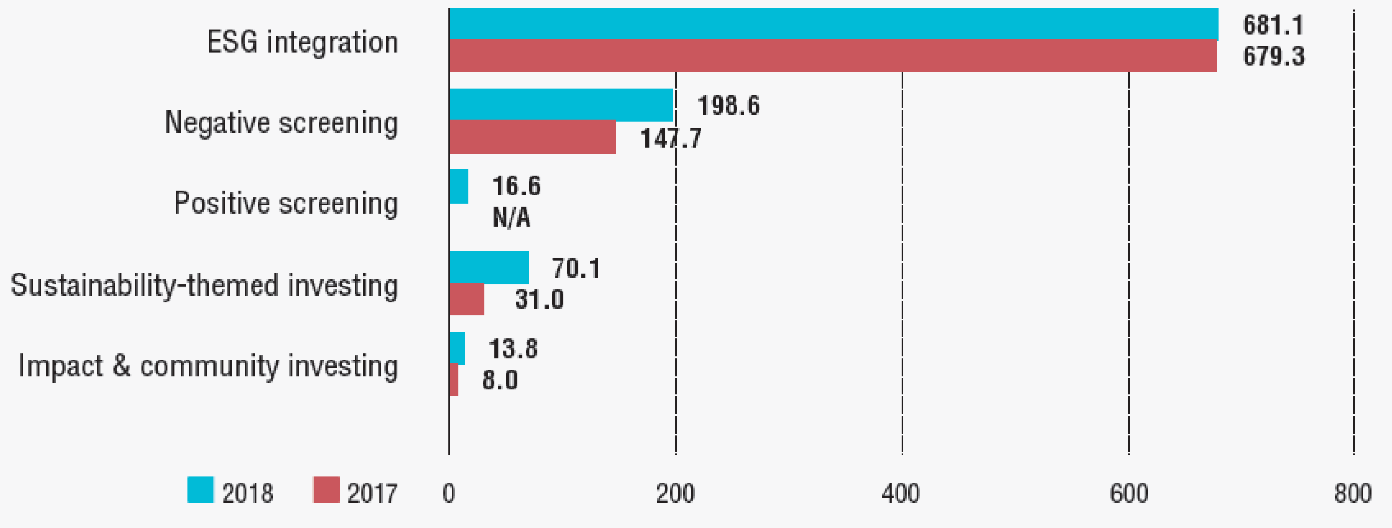
Targeted investments aimed at solving social or environmental problems while delivering financial returns.

AUSTRALIAN ETHICAL

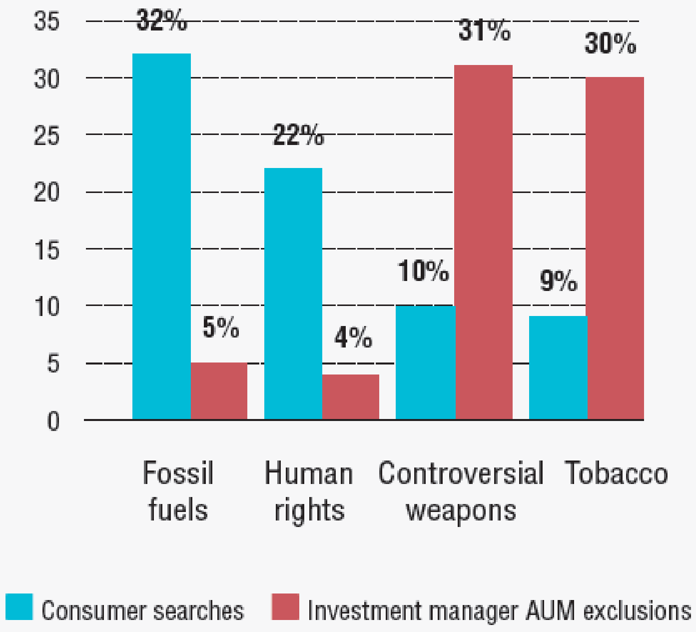
- Positive and negative screens on all investments according to 23 principles of the Ethical Charter
- Incorporation of environmental, social and governance factors
- Advocates for change at corporate and government level
- Supports change through the Australian Ethical Foundation's community grants program

Consumer demand driving screening

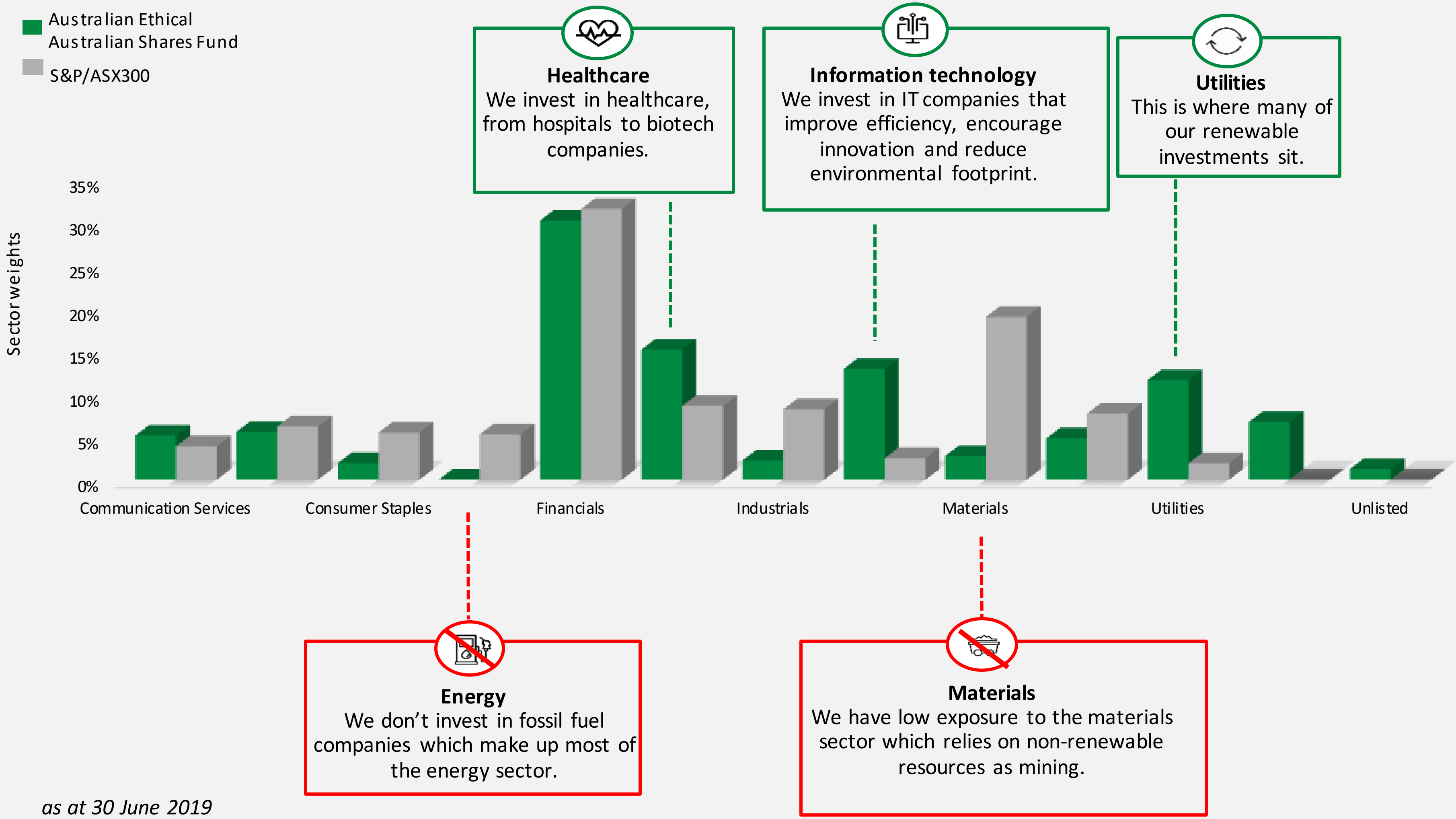
AUM employed in primary strategies ($bn)



Negative screening: consumer vs investment manager exclusions



Our Ethical charter shapes our portfolio



as at 30 June 2019

The outcome of our negative and positive screening is a portfolio that has:

- Nil investment in fossil fuels companies[1]
- Share investments produced 70% less CO_2 than benchmark
- 6x more investments in renewable power generation than the global market

[1]Australian Ethical Annual Sustainability report 2019

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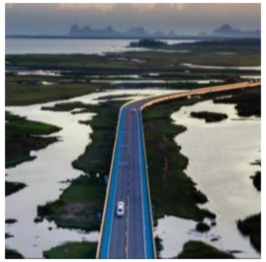
ZURICH INVESTMENTS

ZURICH

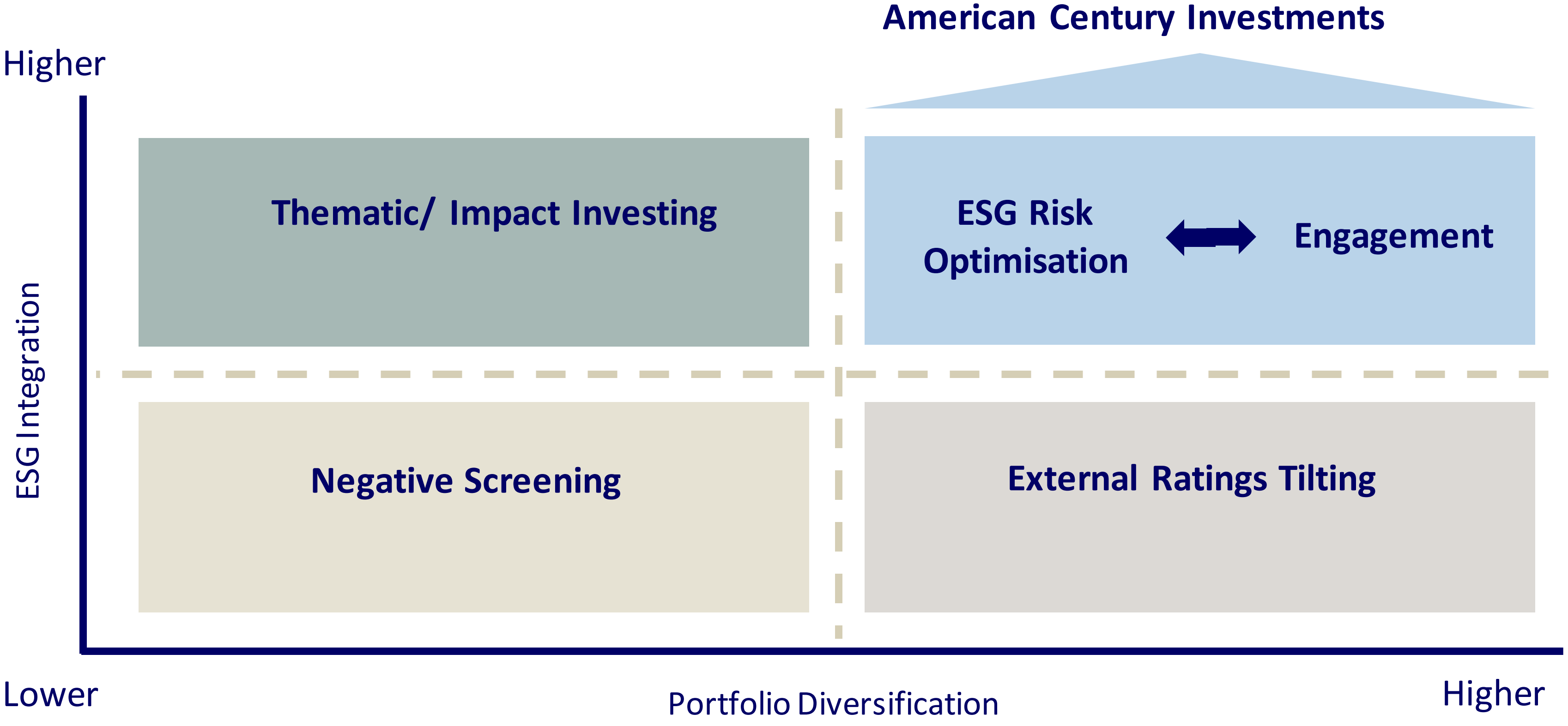
American Century Investments

Approach to Responsible Investing

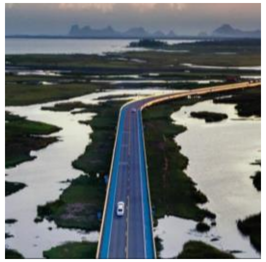
March 2020



AMERICAN CENTURY'S APPROACH TO ESG



Source: American Century Investments ESG, 2018; Unicredit, 2008. Note: portfolio diversification does not assure a profit nor does it protect against loss of principal



PRIVATELY CONTROLLED AND INDEPENDENT

ZURICH

STOWERS INSTITUTE AND FAMILY

45% EQUITY OWNERSHIP

70% VOTING

- **Founded** by Jim and Virginia Stowers in 1994.
- The Institute owns a controlling interest in **American Century**, and through this unique ownership structure, our dividend payments ensure the **ongoing support** of research that can **improve human health and save lives.**
- Since 2000, those payments have totaled **more than $1.5 billion.**

NOMURA HOLDINGS, INC.

40% EQUITY OWNERSHIP

10% VOTING

- Nomura is an Asia-headquartered **financial services group** with an integrated global network spanning **more than 30 countries.**
- Nomura Holdings, Inc. **holds 2 of 11 seats** on the board of directors at American Century Companies, Inc.
- Our strategic partnership with Nomura supports American Century's efforts to further **diversify our business globally**, while providing Nomura with **expanded distribution in the U.S. market.**

EMPLOYEES & OTHER SHAREHOLDERS

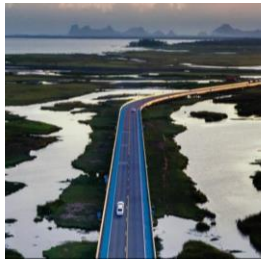
15% EQUITY OWNERSHIP

20% VOTING

- **80%** of employees participate in firm ownership through our retirement plan.
- **Key professionals** are also eligible for increased ownership through **additional grants of company stock.**

Our privately controlled and **independent** ownership structure provides **stability** and creates alignment with clients by allowing us to **maintain a long-term view.**

Source: American Century Investments. Data as of 31/12/2019.



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STOWERS INSTITUTE FOR MEDICAL RESEARCH

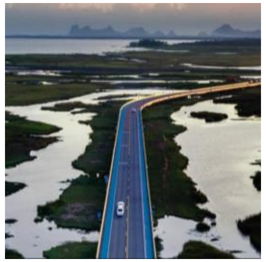
THE STOWERS INSTITUTE FOR MEDICAL RESEARCH

- Founded by Jim and Virginia Stowers in 1994, who dedicated the vast majority of their net worth to benefiting humankind through research on genetic-based diseases, including cancer, diabetes and dementia.

- SIMR's financial strength allows scientists to focus talent on research:
  - 550 Scientists, Research Associates, Technicians, Support Staff
  - More than $1bn spent on research into genetic-based diseases
  - More than 20 independent research programs and 150 ongoing projects
  - Over 1,000 scientific publications

- Additional information and research examples can be found at www.stowers-institute.org.

Source: American Century Investments; data as of 31/12/2019



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Have the bushfires changed the investing landscape as well?

Louise Edkins

Ethical Investment Advisers


Regulatory Update
Simon Carrodus The Fold Legal

IMAP ROADSHOW

REGULATORY UPDATE.

Simon Carrodus

March 2020

WHAT WE'LL COVER TODAY.

+ FASEA Code of Ethics.
+ Ongoing fee disclosure.
+ Independence.
+ ASIC RG 97.
+ Questions.

FASEA Code of Ethics.

+ In force.
+ ASIC not enforcing Code.
+ No code monitoring body until 2021.
+ Only applies to advisers.
+ Licensees must take steps to ensure advisers comply.
+ More guidance to come.

Code of Ethics – What we know.

- Guidance contradicts the (black and white) wording in the Code.
- Code designed to *raise* standards; change should be expected.
- Every case is different; advisers must exercise professional judgement.
- No blanket ban on life commissions, asset-based fees or in-house products (i.e. managed accounts).
- But - all of the above will attract a greater level of scrutiny in future. Advice must be *demonstrably* in the client's best interests and must represent value for money for client.
- Referral fees paid to advisers effectively banned. Referrals should be based on the client's best interests.
- But – referral fees paid to licensees not banned.
- Code applies to advisers who are *authorised* to provide personal advice to *retail* clients.

Ongoing Fees.

+ Draft legislation and regulations.
+ Scheduled to commence 1 July 2020.
+ 6 month transition period for opt-in clients.
+ 12 month transition period for non-opt-in clients.
+ Does not change the definition of ongoing fee arrangement.

Ongoing Fees – the nitty gritty.

- All clients must renew every 12 months - no grandfathering.
- FDS expanded to include forward-looking information about fees and services.
- 60 days to issue FDS, 30 days to obtain renewal.
- Fee recipient must provide updated client consent to product provider every 12 months or fee will terminate.
- Client can withdraw consent at any time.
- If client withdraws consent, fee recipient must notify product provider and client within 5 business days.
- Civil penalty provisions.

Independence.

- Draft legislation and regulations.
- Scheduled to commence 1 July 2020.
- Does not change definition of independent in s923A.
- If providing entity does not meet test in s923A, FSG must explain why not.
- ASIC to release prescribed disclosure requirements.

ASIC RG 97.

+ Financial product fee and cost disclosure.
+ Re-released after external review commissioned by ASIC.
+ Affects all super funds, managed funds and managed accounts.
+ Applies to PDSs and FSGs (in the case of MDAs) issued after 30 September 2020.

ASIC RG 97.

- No change to treatment of “interposed entities”.
- New fee tables – one for super and one for managed investments (including managed accounts).
- Fees simplified into 3 groups – administrative, investment and transaction.
- New single “Cost of Product” figure.
- Excluded: property operating costs, borrowing costs, implicit market costs.
- Fees disclosed gross of any tax benefit.
- Simplification of how fees and costs are presented in periodic statements.


QUESTIONS?

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Morning Tea

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IMAP MANAGED ACCOUNT AWARDS 2020

SUBMISSIONS CLOSE 17 APRIL


The real impact of Managed Accounts on an Advice business
Martin Morris Praemium

The real impact of managed accounts

March 2020

PRESENTED BY

Martin Morris
Head of Distribution
Praemium

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Agenda

1. About Praemium
2. Our research
3. Managed accounts truths
4. The impact of business model choice on practice profit

About Praemium

Our history

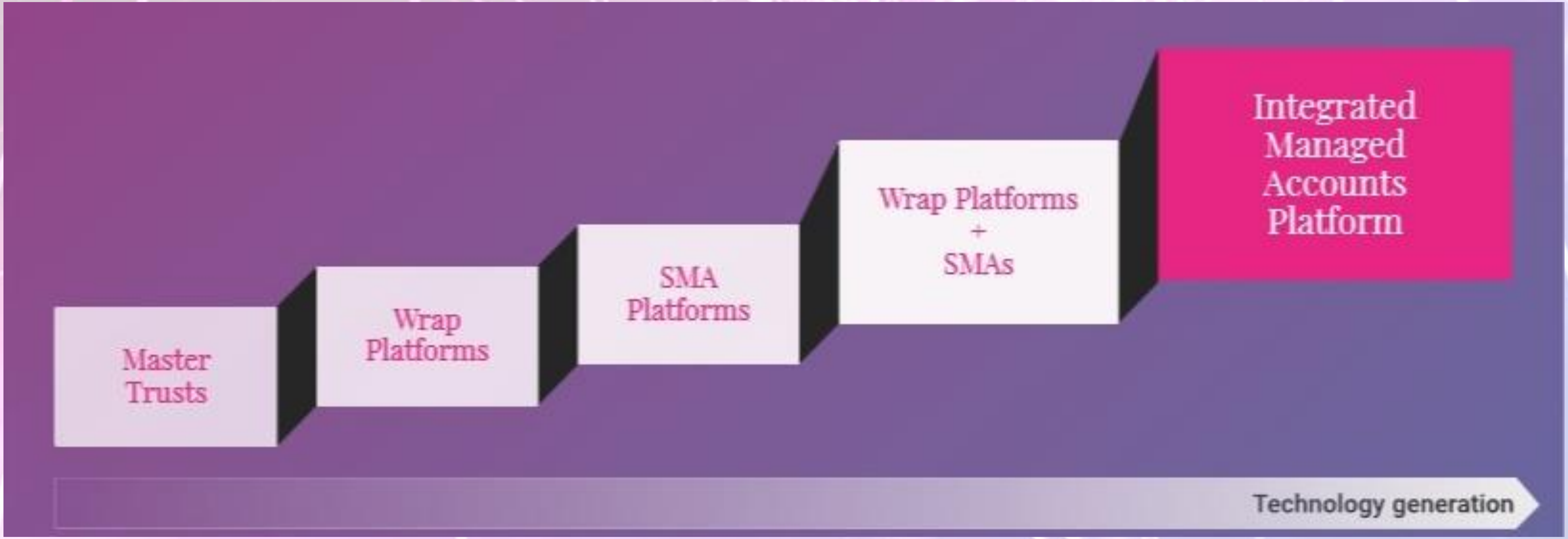
- Launched in 2001
- Pioneer of Managed Accounts since 2005
- ASX listed in 2006 to launch our UK business in London
- Expanded to 8 offices globally
- Over 1000 clients covering $110 billion in assets

Our aim

To assist wealth advisers to deliver great investor experiences and outcomes

- A scalable and efficient managed accounts platform
- An integrated solution to streamline the financial advice process
- Market-leading proprietary technology

Platform evolution



The research

The research

Praemium undertook research with Business Health to determine quantifiable benefits of using managed accounts

Business Health is a leading practice management group that provides advice and solutions primarily through their diagnostic Business HealthCheck.

Research methodology:

- 135 practices who completed the *HealthCheck* between 01/01/2018 and 14/08/19.
- 72 of these firms used managed accounts
- Research was overlaid with data from 45,000 clients who completed a client satisfaction survey

Proving the accepted truths about managed accounts

The aim of the survey was to prove or disprove commonly held beliefs about managed accounts:

» Using managed accounts increases client engagement

» Managed accounts require a whole of business mindshift

» Managed accounts deliver greater business productivity

» Managed accounts reduce risk exposure

» Managed accounts are only for HNW clients

Managed accounts drive deeper client engagement

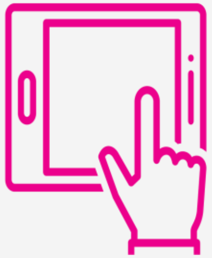
The changing investor landscape

By redirecting the time saved on back-office & non-client facing tasks advisers are building strong and deeper relationships with clients

40%

of customers today prefer self-service over human contact.

(Source: Aspect)



50%

of clients believe their adviser should offer a digital solution.

(Source: Accenture)

75%

of the global workforce will be comprised of millennials by 2025.

(Source: Deloitte)

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Millennials changing the investor profile

As recipients of the largest generational wealth transfer in history, millennials will soon become an important client segment

$3tn

in wealth will transfer from one generation to the next in Australia over the next decade.[1]

53%

of the nation's wealth is held by the boomers, who will be passing it on in the decades to come.[1]

90%

of those who inherit do not stay with their parents' financial adviser.[2]

Managed accounts and client engagement

By redirecting the time saved on back-office & non-client facing tasks advisers are building strong and deeper relationships with clients

67%

of the managed account users reported improved levels of client engagement.

47%

stated they are able to spend more time with their clients.

42%

of managed account users interact with their best clients more than 10 times a year, compared to 33% of non-managed account users.

A clear and differentiated service

Managed account users are more likely to understand who their best clients are and delivered a differentiated level of service to them

32%

of the managed account users reported the average client meeting ran for at least 90 minutes compared to only 14% of non-users

51%

of managed account users have implemented an effective client segmentation strategy compared to 37% of their peers

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The link between engagement, referrals & retention

Communication plays a strong role in client engagement

95%

of clients would be willing to refer their adviser to a friend, colleague or family member if they rated them highly for communication

51%

of managed account users reported **zero client attrition** compared to 39% of non managed account users

Managed accounts underpin a positive “whole of business” mindshift

An optimistic outlook

To fully realise the benefits of managed account a clear plan for success is required.

90%

of managed account principals have a long term strategic plan.

85%

of managed account principals have an operational roadmap

An optimistic outlook

- » **92%** expect to increase practice revenue
- » **85%** expect to see an increase in practice profitability
- » **81%** will increase the number of clients they service
- » **56%** will build on third party referral partners supporting their practice
- » **39%** will recruit additional income producers

Managed accounts deliver greater business productivity

Business productivity benefits of managed accounts

86%

reported a reduction in administration time or effort.

64%

achieved improved risk control of client portfolios.

47%

spent more time with clients.

Business productivity benefits

Meetings become more focused on the right clients

226

clients for managed account users compared to 214 for non users.

5.8

client meetings per week for managed account advisers compared to 6.1 for non users.

Managed accounts reduce risk exposure

Confidence in complying with regulatory obligations

- » 96% ensured that all investment strategy and product recommendations take into account a client's attitude and tolerance to risk
- » 85% are managing conflicts of interest appropriately
- » 79% Monitoring and supervising their staff/representatives
- » 74% are training themselves and their staff/representatives
- » 93% have not lodged a claim against their professional indemnity policy in the past three years

Managed accounts are for HNW clients only

Whole of business approach

- 31% manage all their clients with managed accounts
- Little difference in the average revenue of the managed account firms ($1,234,776) when compared to the non-managed account businesses ($1,173,483).
- Similarly, the median revenue of the managed account practices was only slightly higher than their non managed account peers - $834,746 versus $650,000.

Managed accounts
The real impact

Managed Accounts – the real impact

Factor	Uplift
Revenue per FTE adviser	22.6%
Notional practice profit	21.3%
Notional profit per client	28.8%
Clients per adviser	12.4%

Managed Accounts – the real impact

Key productivity measure	Profit Per Principal	Profit Uplift
Length of time using managed accounts		
Do not use managed accounts	$252,573	-
Less than 1 year	$228,128	-10%
Between 1 – 3 years	$331,060	+31%
More than 3 years	$337,298	+34%
Proportion of clients invested in managed accounts		
Do not use managed accounts	$252,573	-
Less than 10%	$276,359	+9%
Between 51% - 75%	$408,171	+62%
More than 75%	$467,884	+85%

What does the future hold

Advice Market (client needs) – solutions requirements (convergence)

High Net Worth & SMSF

Low Balance Investors & Accumulators

MDA & Non-Custodial Solutions

- Institutional
- Private Wealth
- Stockbroking
- Some Boutique IFAs
- Family Offices

Integrated Managed Accounts Platform

Super & Non-Super
Custody and Non-Custody
Managed Portfolios and Individual Assets
SMAs, IMAs, VMAs, UMAs, MDAs

Not

Wrap Platforms
with limited SMAs and Non-Custody tacked on

Custodial Wrap and/or Managed Accounts

- IFA Dealers
- Boutique IFA Firms

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Key transformation requirement - one platform, all clients, all investments - regardless of advice business model

Thank you

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How professional practices implement Managed Accounts

Chris Wrightson Ironbark

Tony Lynch FinClear

Moderator: Toby Potter IMAP

Managed Account Building Blocks

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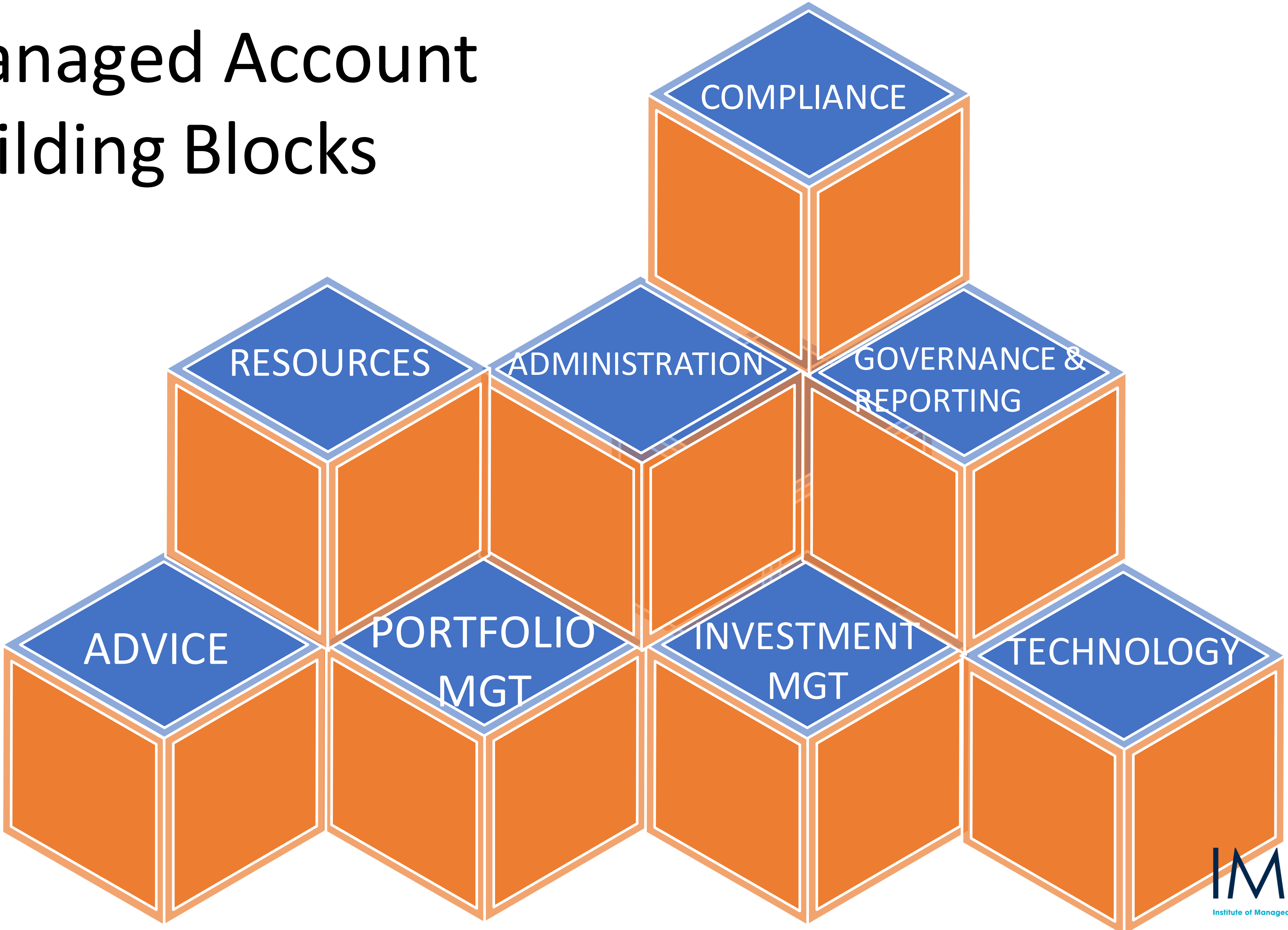

Lunch

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Professional Portfolio Management – What do Licensees need to have?

David Bassanese BetaShares

Brook Sweeney Lonsec

Moderator: Shane Hawke Oreana Financial Services

Keynote
270 sleeps to the future

Paul Barrett AZ NGA

Afternoon Tea

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ASIC Update

Paul Eastment ASIC

Phillip Mines ASIC

Introduction by Jenny Mulders QRC Consulting

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