

Webinar series: How to get started - Model portfolios, SMAs and MDAs

Session 1: Building an effective client solution through
Separately Managed Accounts

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Moderated by Shane Hawke, Oreana Portfolio Advisory

October 2020

Type in your Question

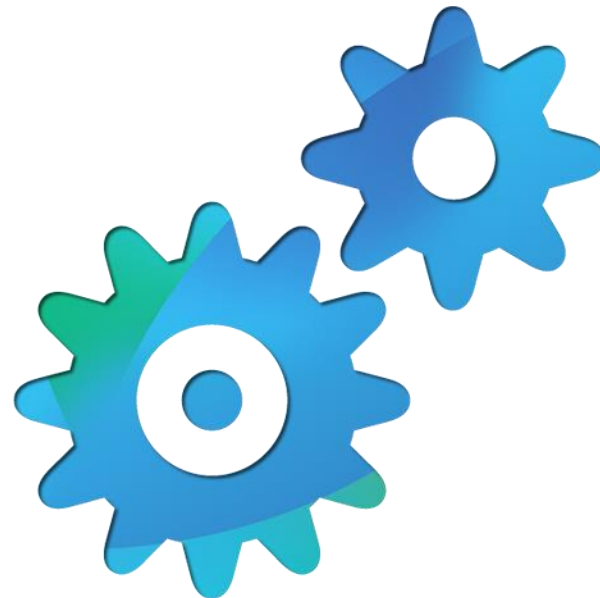


Automating portfolio construction with managed accounts

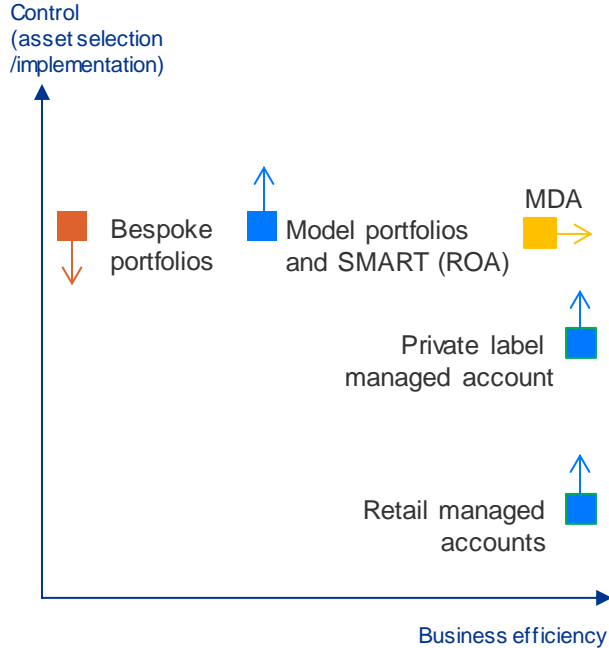
Presented by
Matt Heine, Joint Managing Director

October 2020

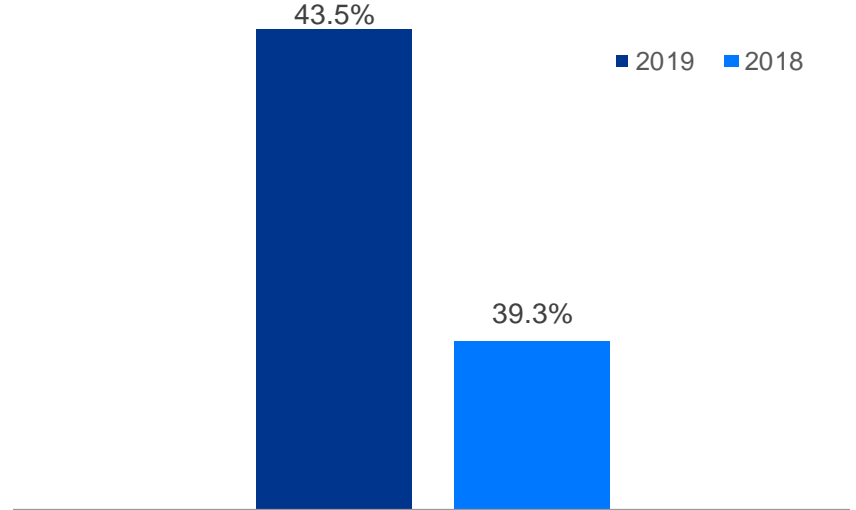
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Automated investment services continue to grow



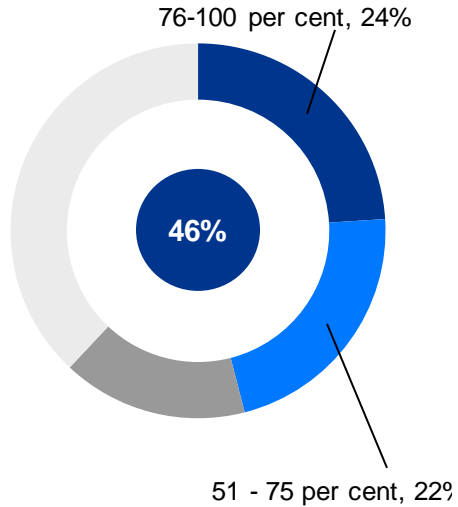
Managed accounts use by advice firms has increased year on year



Source: 2019 Netwealth AdviceTech Report

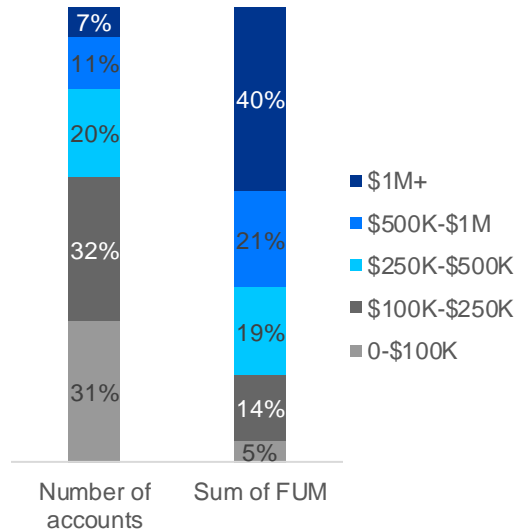
They are suitable for all types of all clients

The proportion of clients on managed accounts is significant



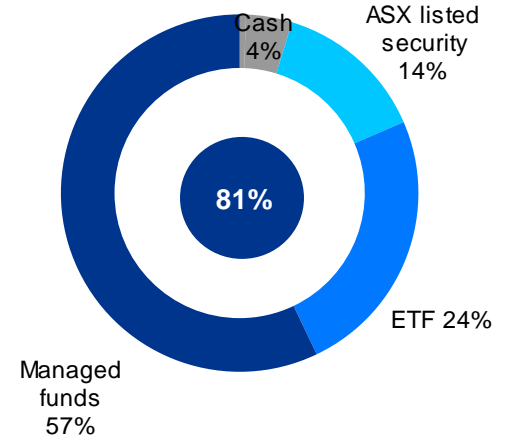
Source: 2019 Financial Standard Managed Accounts survey

Managed accounts are suitable for balance of all sizes



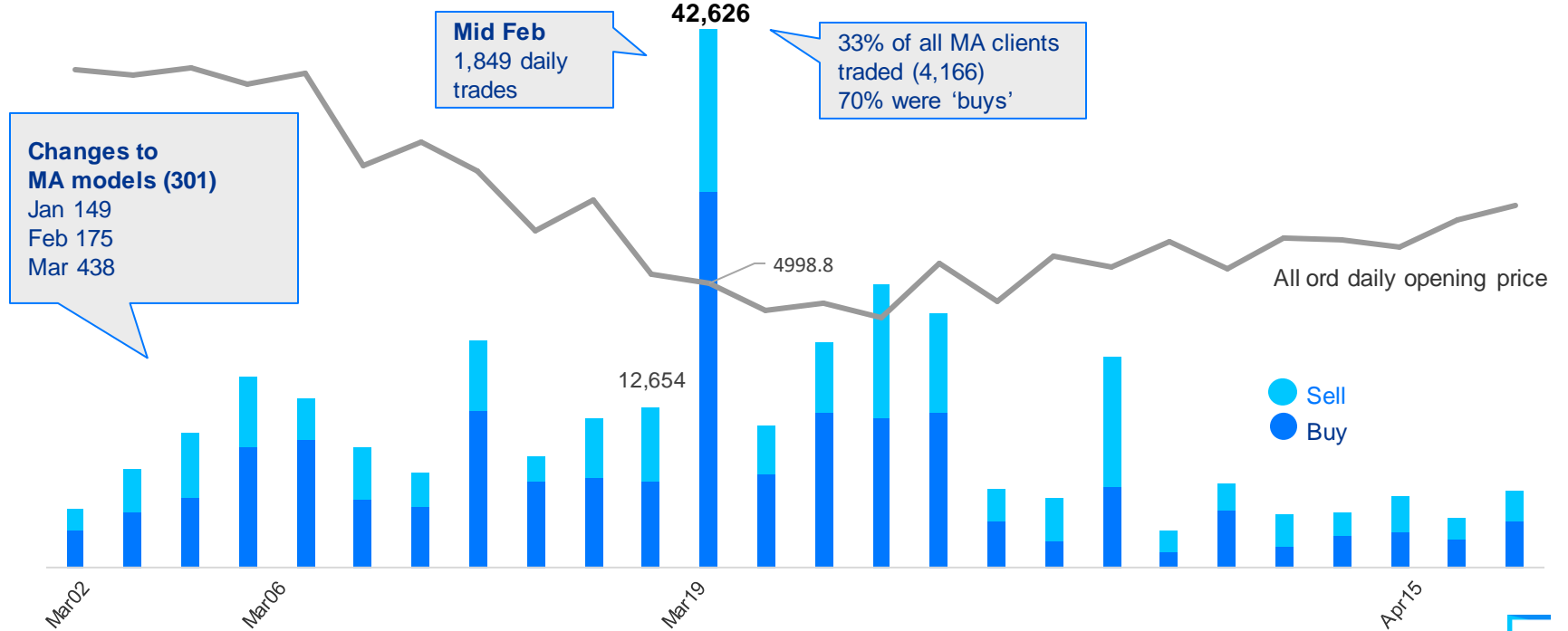
Source: Netwealth managed accounts data, as at 31 July 2019

Managed funds & ETFs are a popular investment choice



Managed accounts during volatility

Netwealth Managed Account Daily trade Volume (Buy Sell) March/April 2020



Scaled practice efficiency and customer engagement

Business benefit of managed accounts % by those that use



Source: 2019 Netwealth AdviceTech Report

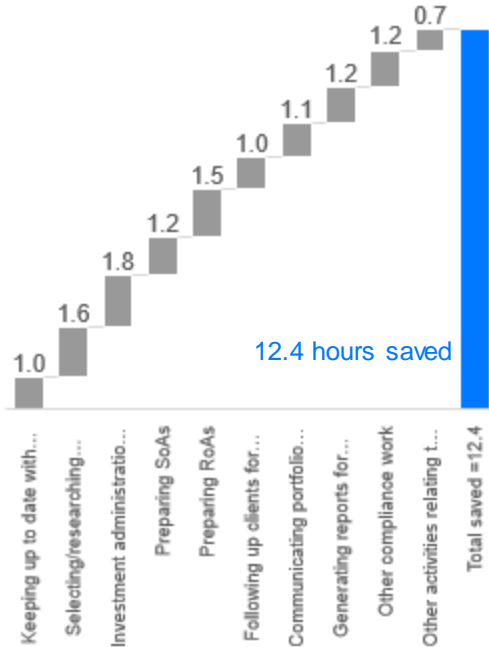
Business benefit of managed accounts Ranked by those that use

1. Better overall outcome for the client
2. Improve practice efficiency
3. Improved transparency
4. Lower admin fees for the client
5. Improved risk management
6. Better portfolio performance
7. Lower admin costs for the practice
8. Better taxation management

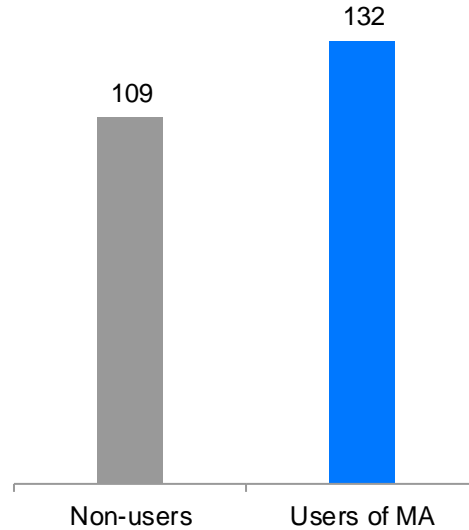
Source: 2019 Financial Standard Managed Accounts survey

Improving client engagement

Advisers have more time to spend on clients after using managed accounts

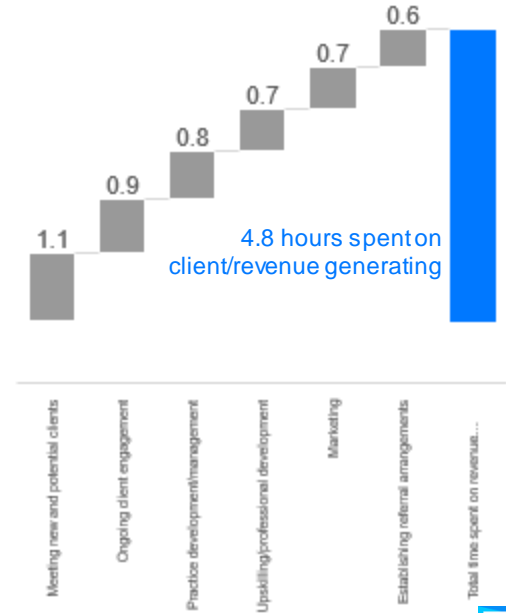


Adviser can service more clients after using Managed Accounts (avg. clients)



Source: Investment Trends, 2018 Planner Business Model Report and 2018 Managed Account Report

Adviser can use time for client and revenue generating activities



Thank you.

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Why Advisers adopt Managed Accounts

1. Better client outcomes

- Continuous service / Demonstrable value
- Customisation
- Use of ASX listed securities – e.g. ETFs, Magellan Global
- Ability to reduce costs - Manager rebates, more use of passive, use of listed

2. Efficiency for adviser practices / Scalability

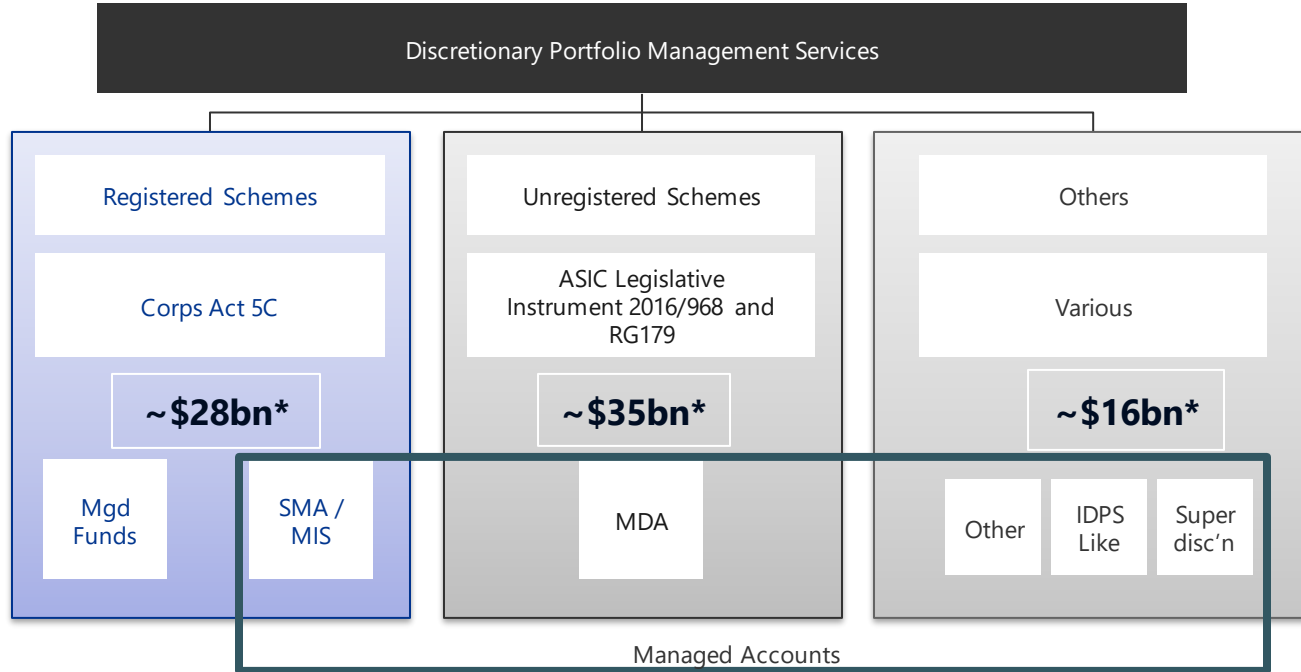
- Move out of institutional advice licenses raises the stakes
- Elimination of SOA's / ROAs
- Transfer of Best Interest Duty for individual transactions
- Fit with annual review process & FDS

3. Control over investment process

- “Our” portfolios
- Engagement of experts directly into client portfolios / Move to professionalism
- Business differentiation – “We are wealth managers” “This is my advice & this is how it should be implemented”
- Sense of actually delivering – “Now I know we can deliver on the promise”

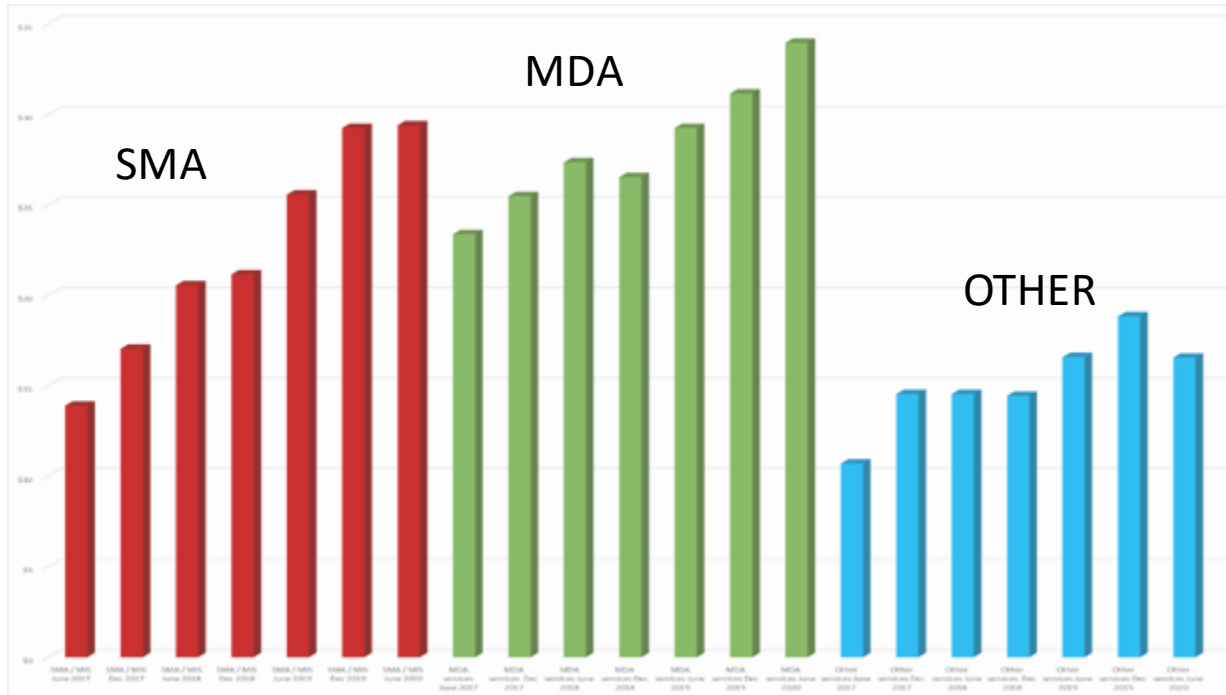
4. In some cases, revenue or cost recovery

Types of Managed Account



*as at June 2020. Source IMAP six monthly FUM Census

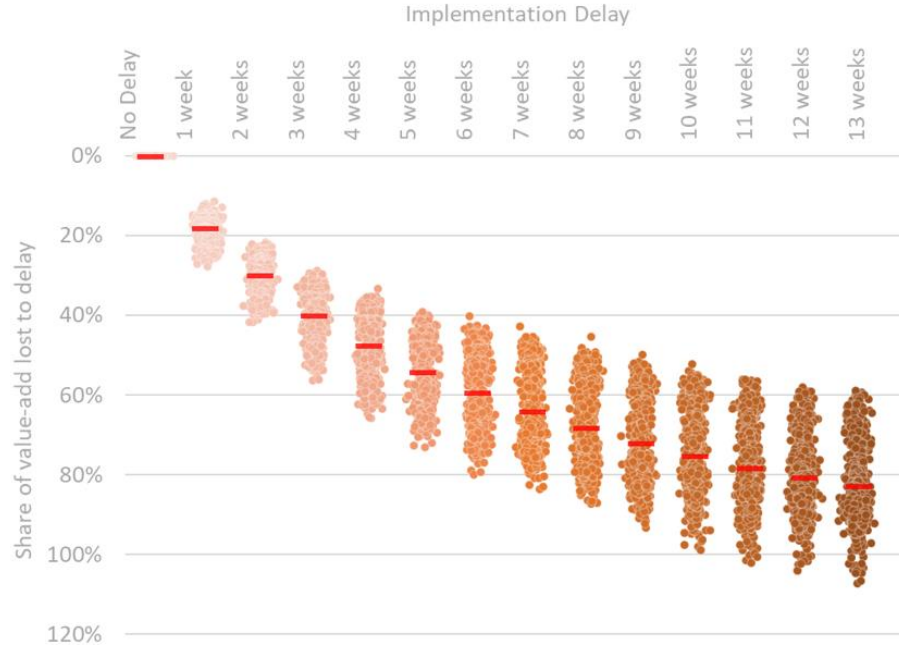
FUM Growth



Do they Work?

Share of excess return lost to delay

- 50% excess return lost with 4-weeks of delay
- 80% excess return lost with 13-weeks of delay



20 year test, 6 changes p.a., 56% success rate, 5% shift

Source: Philo Capital Advisers Cost of Delay Paper 2020

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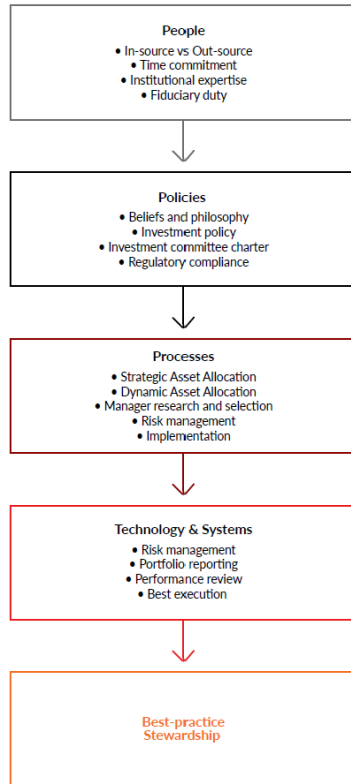
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What is investment governance?

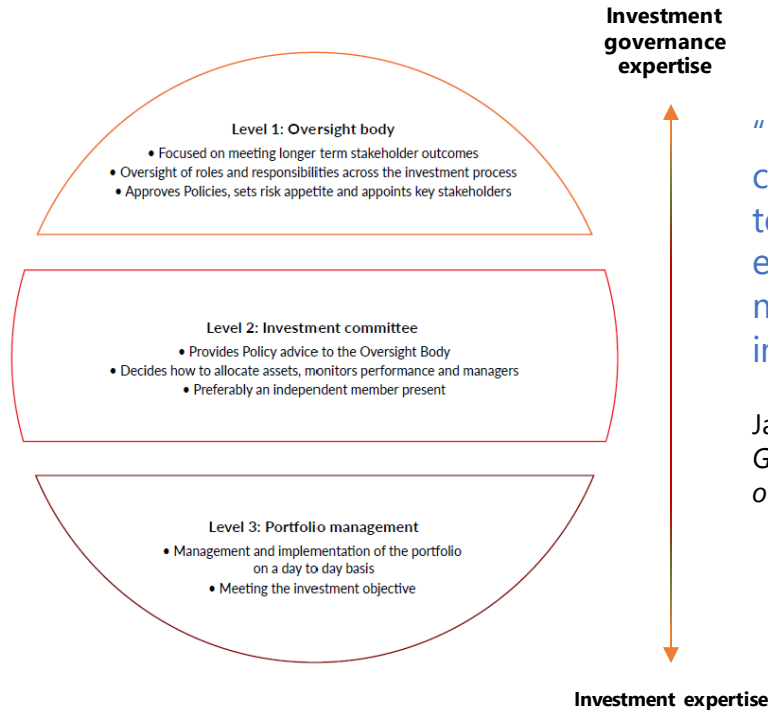


Question: What prevents you from achieving better performance?

Barriers to performance	% of respondents
Poor processes	98
Inadequate resources	48
Unclear mission	43
Conservatism	35
Insufficient skills	35
Inadequate technology	13
Difficult markets	8

Source: "Improving Pension Fund Performance", Association for Investment Management and Research, 1998

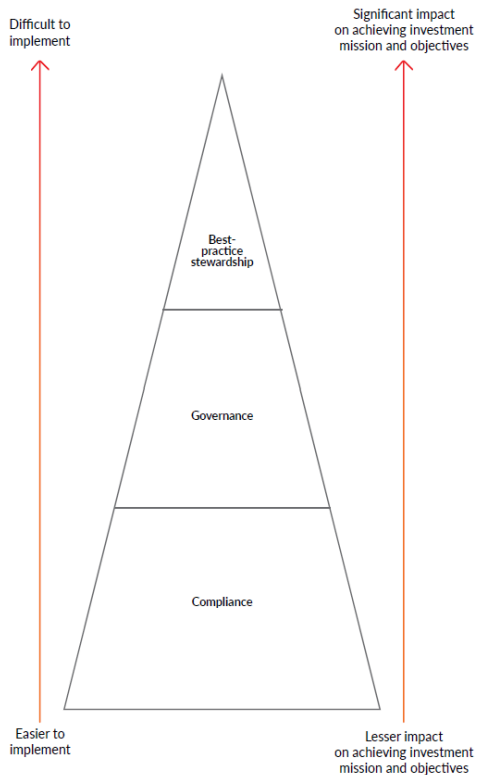
Investment governance ≠ investment expertise



“(To) navigate the increased complexity of portfolios and short-term pressures, it is important to establish the right feedback mechanisms between governance and implementation of investment policy.”

Jarvis, S., & Chua, D. (2018) *Investment Governance: Creating a more performance focused organization*. Blackrock.

Why is investment governance important?



- A commitment to governance is an investment in long-term performance, not a short-term cost.
- Good governance frameworks add value for clients over the long run. Poor governance destroys value.
- Empirical research shows the returns to good governance can be as high as 100bps-300bps per year, over the long-run!

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Dr Isaac Poole CIMA®
Global Chief Investment Officer

Relevant experience

Head of Capital Markets Research, Asia Pacific (Willis Towers Watson)

- Global portfolio construction and asset allocation.
- Global economic and asset class research
- Quantitative risk management

Chief Economist, NSW Treasury Corp

- Trading strategy
- Asset allocation
- Economic research

Education:

- PhD from University of Sydney
- University of Oxford
- University of Tasmania
- Certified Investment Management Analyst.



Shane Hawke
Head of Research and Advisory

Relevant Experience

Over twenty years experience in investment research, advice and model portfolio construction

Research Manager, ThreeSixty

- Research for NABWealth Licensees and over 1500 advisers
- Research for MLC Wealth investment platforms
- Portfolio Manager for ThreeSixty Model Portfolios
- Key investment consultant for Trustees, Responsible Entities and a range of NABWealth investment committees.

Education:

- Graduate Diploma in Applied Finance and Investment (FINSIA)
- Bachelor of Commerce (Banking and Finance), University of Canberra