

The State of the Managed Accounts Market

David Wright – Zenith Research

Toby Potter – IMAP



IMAP and COVID-19

- 2019 Events
 - Deferred Adviser Conference Sydney and Melbourne
 - Awards
 - Portfolio Management Conferences
 - InvestTech
- Webinars
 - 8 April First Sentier and Morningstar
- Communities of Interest
 - Data Standards Group
 - Regulatory Group
 - Portfolio Management Group
- www.imap.asn.au

—

IMAP MANAGED ACCOUNT AWARDS 2020

—

NOW ACCEPTING SUBMISSIONS

In Summary

- Resumed fast growth ~\$80 bn
Dec 2019
- Up 28% YoY
- Increasing effect on reshaping
dynamics of advice

FUM by legal structure

Managed Account Category	31 Dec 2019 (\$ billions)	Incr / Decr \$ (\$ billions) June 2019 to Dec 2019	Incr / Decr Percentage% Dec 2018 to Dec 2019	30 June 2019 (\$ billions)	31 Dec 2018 (\$ billions)
SMA / MIS	\$29.3	\$3.8	35.6%	\$25.6	\$21.2
MDA services	\$31.1	\$1.9	17.4%	\$29.2	\$26.5
Other	\$18.8	\$2.3	30.3%	\$16.6	\$14.5
Total	\$79.3	\$7.9	27.6%	\$71.4	\$62.1

IMAP Webinar

March 2020

Disclaimer

Zenith is the holder of Australian Financial Services License No. 226872 for the purposes of providing “General Advice” (as defined by section 766B of Corporations Act 2001). General Advice provided by Zenith is limited to Wholesale clients only.

This advice has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it. It is not a specific recommendation to purchase, sell or hold any relevant product(s).

Zenith advises that investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation or needs. Investors should obtain a copy of, and consider, any relevant product PDS or offer document before making any decision. This advice is prepared exclusively for clients of Zenith.

The material contained in this advice is subject to copyright and may not be reproduced without the consent of the copyright owner. The information contained in this advice is believed to be reliable, but its completeness and accuracy is not guaranteed. Zenith accepts no liability, whether direct or indirect arising from the use of information contained in this advice.

Managed Accounts are Working

- Managed Accounts are working well in the current environment from a number of perspectives including:
 - being able to make portfolio changes across all clients in that portfolio where required
 - ability to rebalance as portfolios have become significantly distorted
 - being able to provide up to date reporting across all clients in portfolios to help provide support and a level of comfort that portfolios are being managed
 - no client is 'left behind'. All clients in the managed account portfolio are treated equally and experience the same portfolio management decisions and / or rebalancing
- Platforms are under volume pressure and while the actual trading / execution process has been laborious, portfolio changes have been executed (especially for those portfolios consisting of managed investments)

Developments in Managed Accounts

- Strong demand for lower cost portfolios
- Increasing demand for dedicated retirement / drawdown portfolios
- Potential to lower the investment cost via access to lower priced unit classes or rebates for volume invested
- Historically the demand for investment consulting portfolio services for advice groups rises following market corrections

Market Observations

- Buy / Sell spreads (particularly sell spreads) have widened significantly on fixed interest funds (including ETF's) as the markets suffer liquidity challenges with investors selling
- Alternative strategies have provided portfolios some protection (i.e. have fallen less than equity markets)
- Active managers provide better downside protection in downward moving markets and this has generally been the case again
- Concern that the 'value' style hasn't worked. This is normal, initial indiscriminate panic selling affects all investment styles. Value will work longer term as investors identify those investments backed by stronger earnings.

Regulatory Issues

- ASIC MDA review
- FASEA Code of Ethics
- Compensation Scheme of Last Resort
- RG97
- Design & Distribution Obligations

Acknowledgement to The Fold Legal

DISCLAIMER: The information in the presentation does not take into account the investment objectives, financial situation and particular needs of investors. It is intended for advisers and professional investors only.

Before making any investment an investor should consider whether such an investment is appropriate to their particular investment objectives, financial situation and particular needs and consult a professional adviser.

This presentation is not, and nothing in it should be construed as an offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation to buy, securities in any jurisdiction. A recipient must not act on the basis of any matter contained in the presentation but must make their own assessment. Neither this document nor anything in it shall form the basis of any contract or commitment.

Certain information in this document may have been derived from third parties. Neither IMAP, nor its directors, employees, contractors or related parties makes any representation that any information however derived is accurate, reliable or complete. It has not been independently audited or verified.

Institute of Managed Account Professionals Ltd ABN 57 125 794 274

