IMAP Webinar Series

Introduction to MDAs

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Institute of Managed Account Professionals

Disclaimer

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MDA 360 Program

	MDA Webinar series
17th August	Insurance for MDAs
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19-20 November	**MDA Leadership Summit**

MDA Subscribers discount

MDA 360 Program

Presenters

AJ Gallagher	**Steven Hughes** – Principal
Akambo	**Jane Zhou** – Head of Governance
Consultant	**Glenn Poynton**
Crowe	**Sean Pascoe** – Partner
JM GRC Consulting	**Jenny Mulders** - Founder
Hamilton Locke	**Simon Carrodus** – Partner
	Jaime Lumsden – Partner
Holley Nethercote	**Michael Mavromatis** – Partner
	Jesse Vermiglio – Partner
HSF Kramer	**Andrew Bradley** – Partner

MDA Subscribers discount

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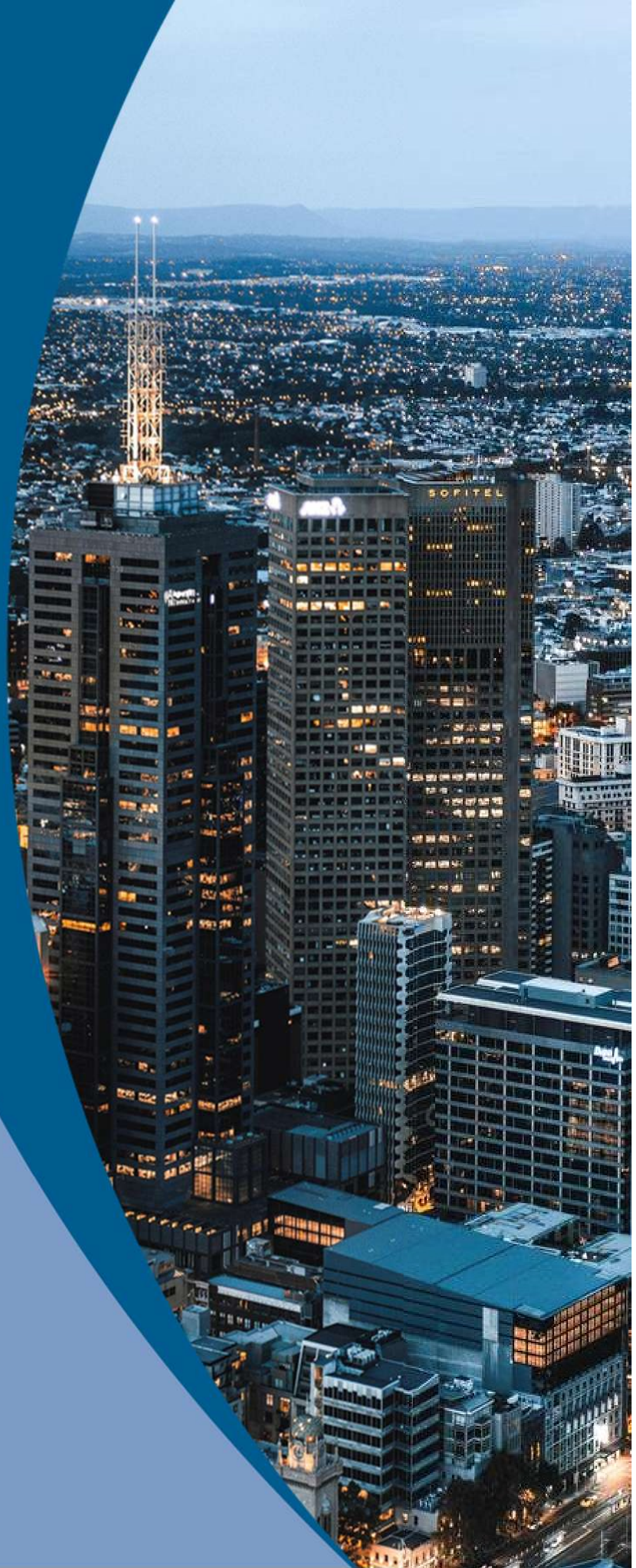
More than a platform

We're a growth engine for our clients



The Jargon

Actual legal standing

- Managed Investment Scheme
- Managed Discretionary Account (MDA)

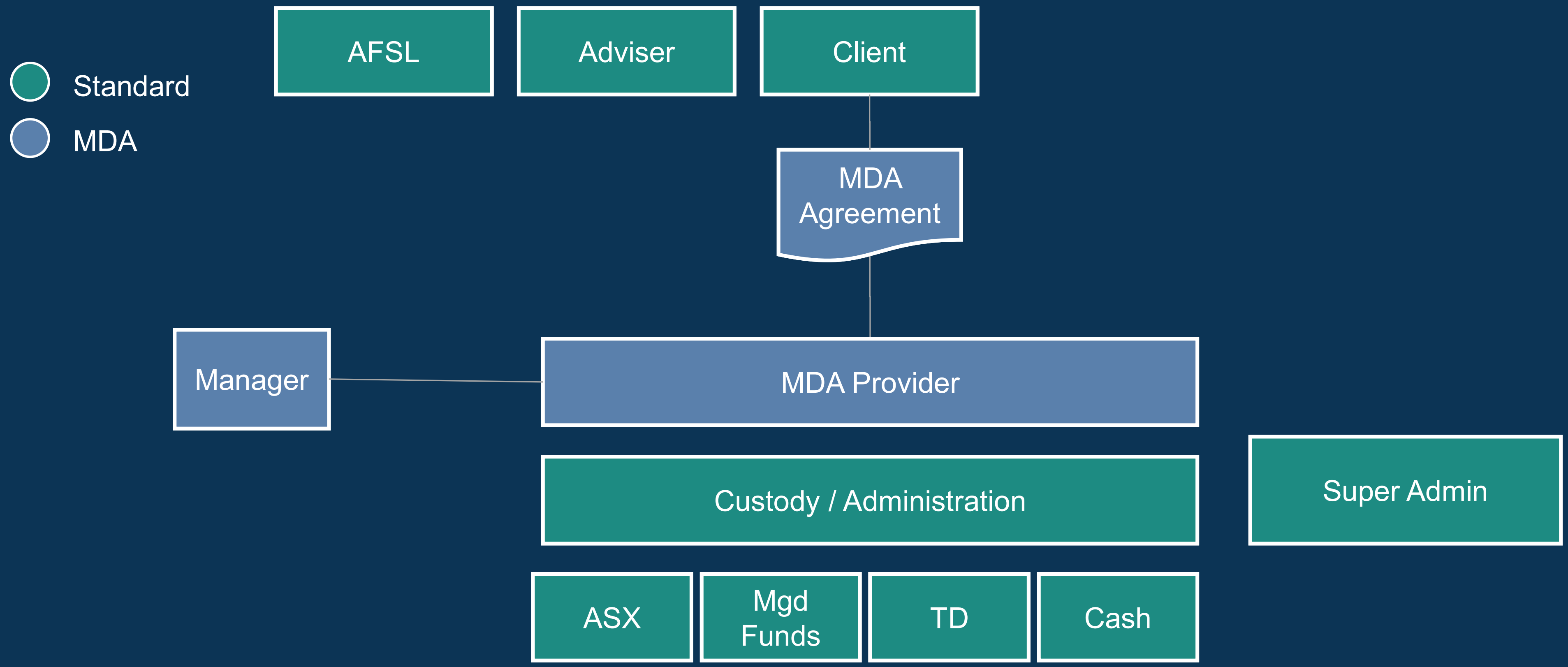
Generics – but still jargon

- Managed Account
- Managed Portfolio

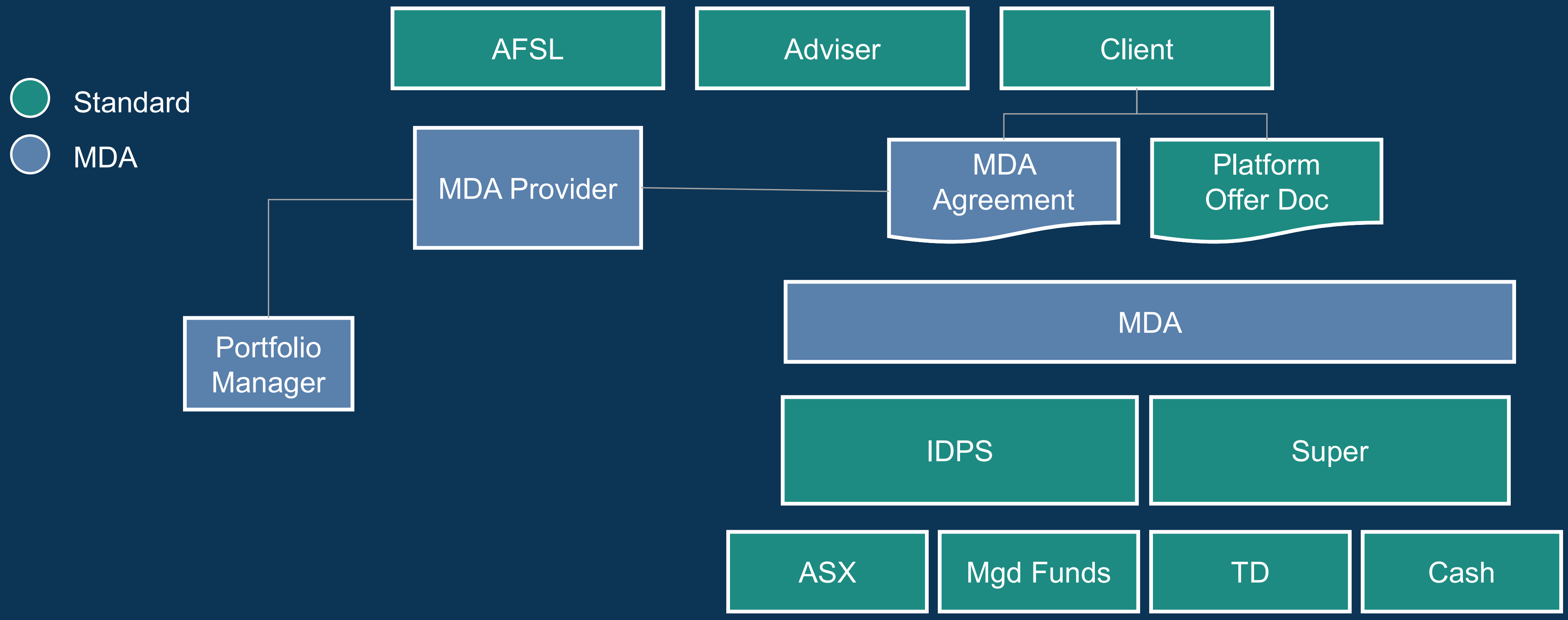
Complete jargon

- IMA
- SMA
- UMA
- PMS
- etc

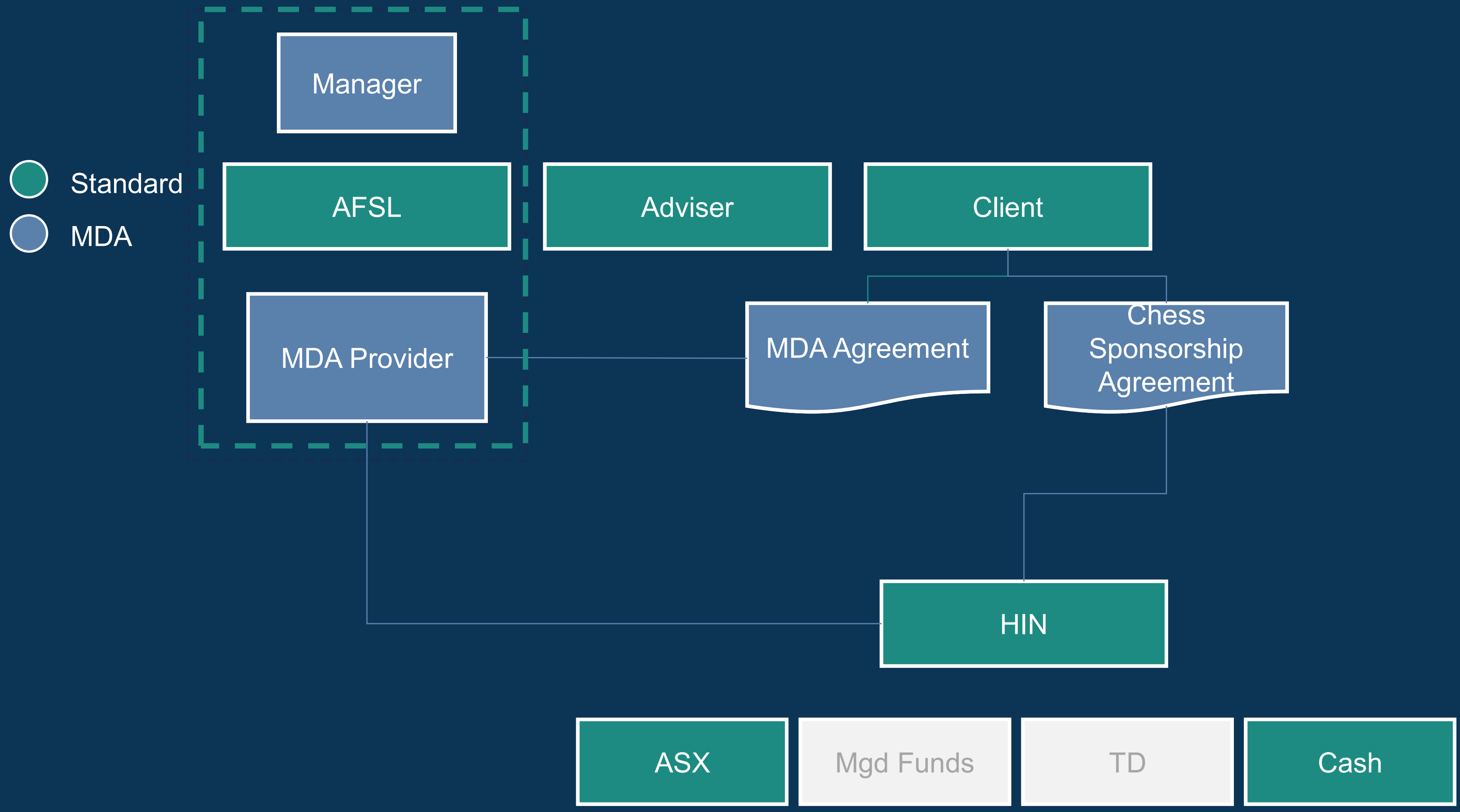
Platform as MDA Provider



MDA on Regulated Platform



MDA on HIN



Standard
MDA
Manager
AFSL
Adviser
Client
MDA Provider
MDA Agreement
Chess Sponsorship Agreement
HIN
ASX
Mgd Funds
TD
Cash

Roles of each party

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- MDA Provider
- Ongoing governance and oversight
- Operational support and implementation
- Platform provider

Model Manager

- Dealer group investment committee
- Day-to-day investment management of MDA

Adviser

- Assess client circumstances
- Recommend clients into appropriate MDA
- Ongoing review with clients

Client

- Stay informed through regular updates from their adviser

Model Manager and Adviser can be the same party

Key Compliance Obligations for MDAs

Investors must receive personal advice via an SOA when entering the service*

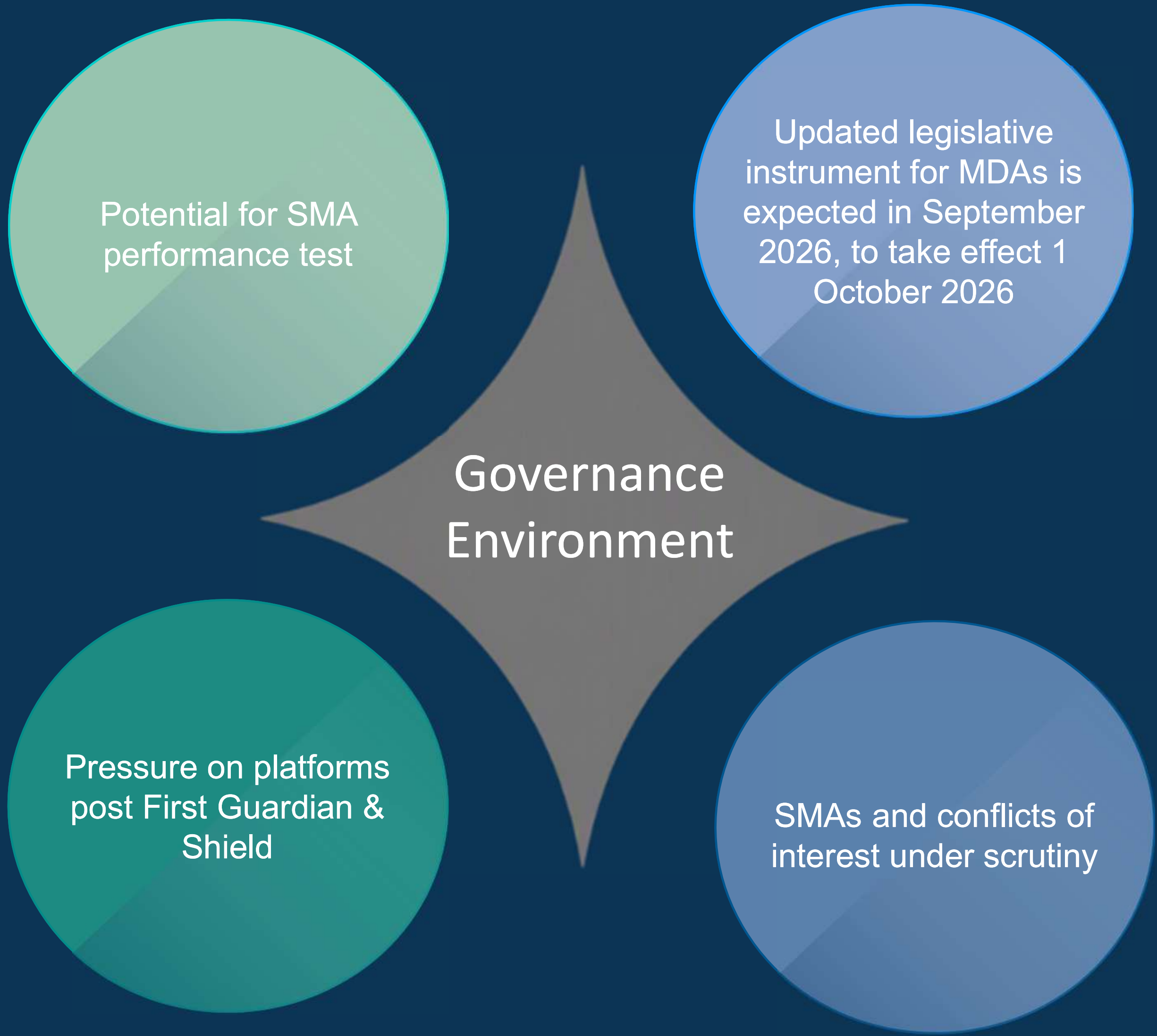
MDA provider must have no reason to believe the service and investment strategy are not suitable for the client. (SOA review)*

Adviser must review suitability of the service and investment program every 13 months*

Issuing an MDA service requires a specific AFSL authorisation

Not required for wholesale MDAs

Governance Environment



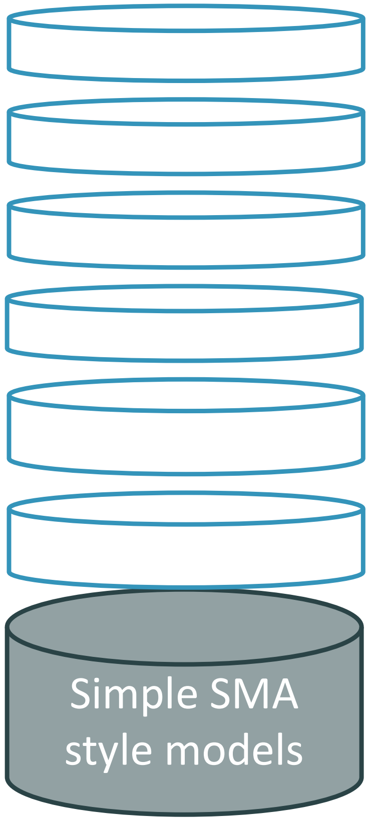
SMAs and MDAs offer common features

Characteristic	SMA	MDA
Managed investment scheme under law	✓	✓
Non unitised	✓	✓
Allows discretionary portfolio management	✓	✓
Removes ROA requirement for portfolio changes	✓	✓
Provides tax benefits of beneficial ownership	✓	✓
Clear legal framework	✓	✓
Can support choice of investment styles	✓	✓
Can create “Licensee portfolios”	✓	✓
Reduces operating risk for Licensee and adviser	✓	✓
Can generate margin to Licensee under controlled circumstances	✓	✓

But there are material differences as well…

Characteristic	SMA	MDA
Differentiated from Industry funds, Vanguard multi asset class funds, etc	✗	✓
Presents to client like a service	✗	✓
Annual reviews are not obligatory under regulation	✓	✗
Supports a wide range of model portfolio choices	✗	✓
Supports high levels of customisation	✗	✓
Quick, easy and inexpensive to create more portfolios / vary portfolios to suit Licensee, adviser or client needs	✗	✓
Reinforces role of adviser	✗	✓
Relatively easy to vary branding to suit advice firm preferences	✗	✓

Philo MDA – Simple for some investors, sophisticated for others



- Multi entity for more complex clients
- Multi platform
- Illiquid assets
- Personalisation for each client – e.g. “with regard to”, cash management, CGT, Legacy assets
- Add managers – e.g. Direct equity manager
- More models – e.g. ETF, ESG

Begin with 4 - 5 models

The Philo MDA is a genuine scalable IMA

Portfolio Services | Per Segment

This is an illustration of how Philo MDA capabilities can be used to meet needs by client segment. You can mix and match these in other ways.

Portfolio Value	Simple needs	Standard needs	Complex needs
High Net Worth	**MDA** • Approved Set (5+ risk profiles) • In multiple styles (e.g. ESG, active) • Model of Models	**MDA + Satellite** • Approved Set (5+ risk profiles) • In multiple styles (e.g. ESG, active) • Model of Models • Illiquid / Specialist Assets • Preferences	**MDA + Satellite + Client own assets** • Approved Set (5+ risk profiles) • In multiple styles (e.g. ESG, active) • Model of Models • Illiquid / Specialist Assets • Preferences • Individualised Service (IMA)
Mass Affluent	**MDA or SMA** • Approved Set (5+ risk profiles)	**MDA or SMA** • Approved Set (5+ risk profiles) • In multiple styles (e.g. ESG, active) • Model of Models	**MDA** • Approved Set (5+ risk profiles) • In multiple styles (e.g. ESG, active) • Model of Models • Preferences
Low	**SMA / Industry fund**	**SMA**	Avoid

Complexity / Engagement Needs

In conclusion…

- Most advice practices should use both SMA and MDA services
- SMAs best suited to less engaged and smaller clients
- MDAs best suited to practices that are more “service” oriented and / or with a preference or need for more investment flexibility

Common misconceptions re MDAs

Investors must opt into MDAs each year

- Incorrect. Advisers must review the suitability of the MDA service and investment strategy no less than every 13 months. Client does not have to sign anything.
- Can be done as an ROA for a “no change” scenario.

- Advisers need special authorisation on their AFSL to advise on MDAs

- Incorrect. Personal advice on interests in managed investment schemes (MIS) is sufficient.
- Specific authorisation is required to be an MDA Provider to issue MDA services.

- MDAs are more complex

- There are some different processes required around MDAs, and MDAs can offer more choices and flexibility, so using them in your business requires incremental effort.
- The modest extra effort provides tangible benefits

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