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Arnie Selvarajah
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Working smarter, not harder with mFunds

Advisers have more than one way to access managed funds on their clients' behalf. They can go directly to the fund manager or invest through an adviser platform. Now a third way – the ASX's mFund structure – is starting to gain more traction with financial planners. With a number of important efficiency benefits to be gained, it's easy to see why.

Investing in managed funds through an exchange is nothing new for the Australian market. Listed investment companies and listed investment trusts have provided advisers with access to ready-made diversified portfolios for many years and more recently ASX-quoted managed funds like the Magellan Global Equities Fund have given advisers even more choice. So why are more advisers turning to mFund?

No paperwork

The structure, which was launched by the ASX in June 2014, gives investors an easy way to access funds which are not listed on the exchange. The great thing about it, according to Bell Direct chief executive Arnie Selvarajah, is the service essentially does away with long-winded form filling and tedious toing and froing of product disclosure statements.

"As more and more advisers start to use mFunds they are starting to understand how easy it is to invest in managed funds using a broker," Selvarajah says, adding that one of the key differences is the broker, not the adviser, does all of the upfront identification of the client.

All of the anti-money laundering (AML) and Foreign Account Tax Compliance Act (FATCA) questions that an adviser would typically have to go through with each client is taken care of by the broker and all of that information is passed electronically to the fund manager. That means no paperwork for the adviser and more time to spend with clients.

Bell Direct's Desktop Broker platform also allows adviser investing in mFunds to email the PDS to the client for acknowledgment electronically. That can then be passed directly to the fund manager as well – so once again, no paperwork.

Portable investments with no on-going costs

Selvarajah adds that investing in mFunds through a service like Desktop Broker has a number of really great advantages versus traditional adviser wrap platforms and master trusts.

"In a wrap structure, an investor invests in a trust. The assets are held by the trust and by a custodian; they are not held directly by the investor, they are held on behalf of the investor. When you invest in an mFund, it is held under your own Holder Identification Number (HIN)," says Selvarajah.

What that means is that the client's investment becomes much more portable. If they want to change adviser they just switch the HIN. Unlike in a wrap platform where capital gains are crystallised, there's no change in beneficial owner so there is no tax event.

The second big difference is cost.

"If you're an investor sitting on a wrap platform you're paying 40-80 basis points as an admin fee just to be there," says Selvarajah. "To hold an mFund asset on a broker platform is free so all you pay is a transaction fee on the way in and a transaction fee on the way out. There's no cost to own while you're in there."

Efficient

Selvarajah explains that all of these advantages can be boiled down into one word: efficiency. That's also the mantra that has been behind all the design decisions in Bell Direct's Desktop Broker platform.

"One of the things we're focused on at Desktop Broker is to make the advisers lives easier. We know they have a lot of paperwork, we know they have a lot of compliance and it leaves them little time to service their client," he says.

"By using mFunds we're taking a lot of the paperwork away and a lot of the administration effort away so they can focus on servicing their clients. They can also see their portfolio all in one place, get all their reporting from the one source and soon – hopefully later this year – we'll also be able to provide tax reporting for those mFunds as well. It becomes very easy for them to carry out the investing activities and focus on servicing their clients."

Investing in mFunds via the platform couldn't be simpler. If they are already a client of a broker that supports mFunds then it's just a matter of

going to the order pad, selecting the mFund and pressing 'buy' or 'sell'. mFunds are traded in exactly the same way you trade equities.

"It's the same order pad, it looks the same. It becomes very intuitive and easy to use," says Selvarajah.

Built for advisers

Desktop Broker was launched in 2009. The system is based on the Bell Direct platform, which was launched two years earlier, but tweaked to focus on the needs of an adviser.

With experience at managed fund houses, banks and brokers, as well as in the independent financial advice space Selvarajah is well-qualified to understand different requirements of advisers when compared to retail self-directed investors.

"One of the main things is being able to search for clients very quickly and bring up their portfolio," he says.

The Desktop Broker platform serves up relevant contextual information for advisers to explain the performance of stocks or mFunds in the portfolio to very quickly equip them to make recommendations. This includes company and fund manager news specific to the individual client's portfolio.

There is also functionality that allows advisers to transact on multiple clients or on multiple stocks at the same time.

"Typically when you use an online broking site you put a trade in for one stock, key your pin and then that goes to market and then you come in and do the second client. We've created multi order pads so they can transact for all their clients. They can search for all the portfolios that contain a particular stock and then sell all of the positions in under a minute," explains Selvarajah.

Finally, if they trade on the Desktop Broker platform they get access to all the Bell Potter research which means if they are trading on behalf of their clients in listed equities, they are getting support from real analysts and real broker research that helps them decide which stocks to trade for their clients. **FS**



The quote

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