

# What life really looks like with managed accounts

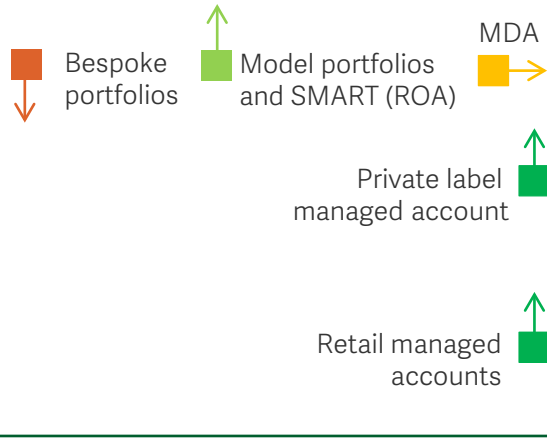
Presented by

James Mantella, Head of Managed Products, Netwealth

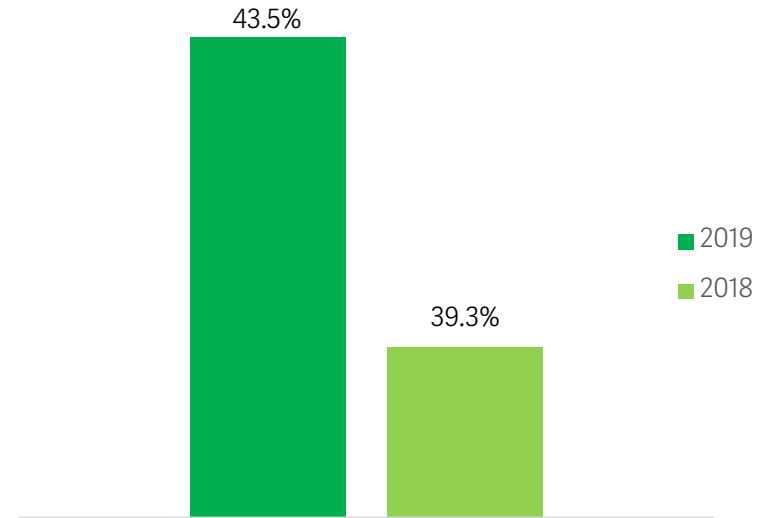


# Automated investment services continue to grow

Control  
(asset selection  
/implementation)



## Managed accounts use by advice firms has increased year on year

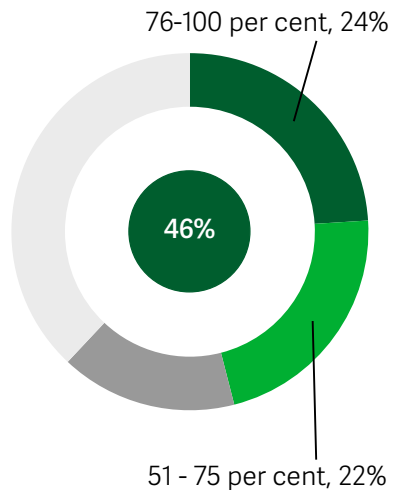


Source: 2019 Netwealth AdviceTech Report



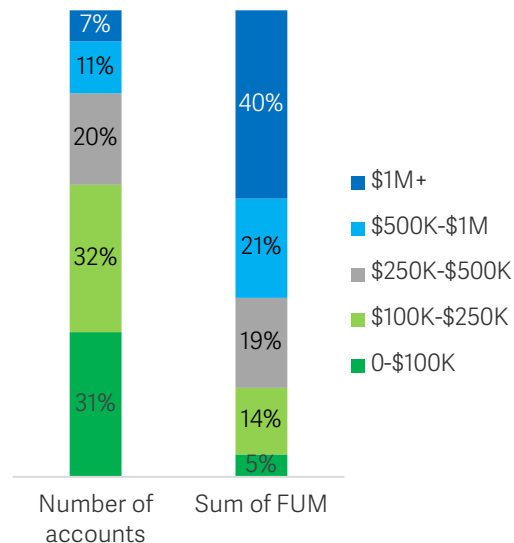
# Suitable for all types of all clients

## The proportion of clients on managed accounts is significant



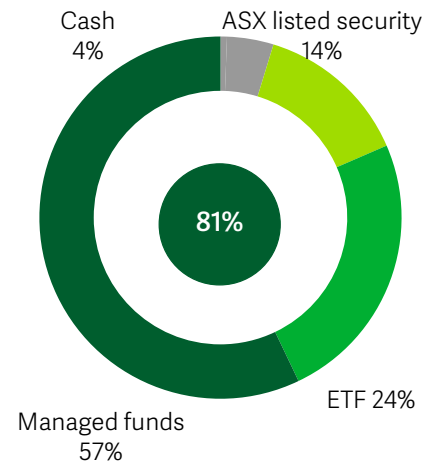
Source: 2019 Financial Standard Managed Accounts survey

## 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





# 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







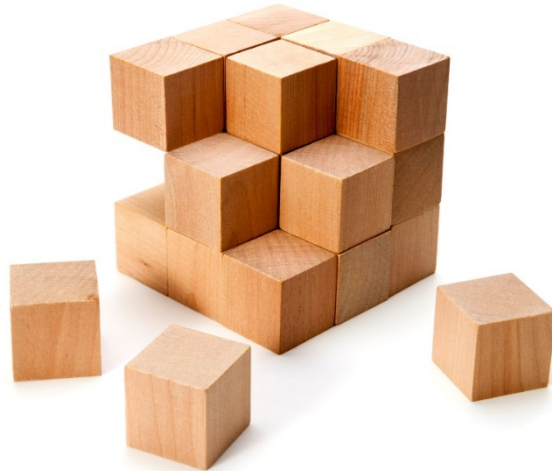
# So what do managed accounts look like in practice?



# Understanding model manager mandates

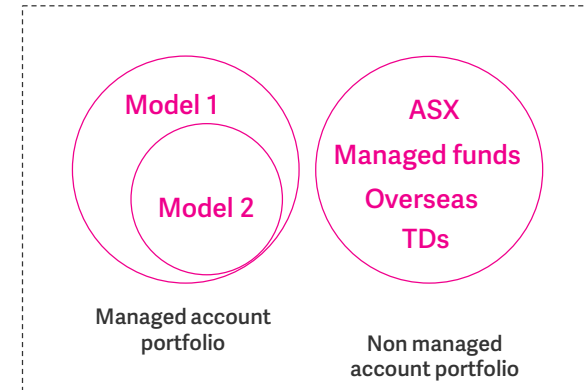
## Mandates can include:

- Min/max. number of stocks that can be held
- Liquidity ratios
- Credit ratings
- Whether ETFs, LICs, international are allowed
- Approved managed funds
- Allocation ranges across different asset classes



## "Model of models"

Super / Wrap Platform account



ASSET CODE	ASSET NAME	ORIGINAL ALLOCATION	FLOATING ALLOCATION	ALLOCATION CHANGE		NEW ALLOCATION		ACTION
MACC000096	Demo Australian Equities Portfolio	25.4064%	25.4064%	-15.4064	%	10.0000	%	
ANZPD	ANZ Convertible Perpetual Capital Notes 01/09/2023	0.0000%	0.0000%	8.0000	%	8.0000	%	
ANZ	Australia and New Zealand Banking Group Ltd	0.0000%	0.0000%	10.0000	%	10.0000	%	
AAA	BetaShares Australian High Interest Cash ETF	9.9359%	9.9359%	0.0000	%	9.9359	%	
CBA	Commonwealth Bank of Australia	0.0000%	0.0000%	10.0000	%	10.0000	%	
IAA	iShares S&P Asia 50	4.3576%	4.3576%	0.0000	%	4.3576	%	
IOF0145AU	Janus Henderson Tactical Income Fund	9.9391%	9.9391%	-9.9391	%	0.0000	%	
MAQ0277AU	Macquarie Income Opportunities Fund	11.2102%	11.2102%	-11.2102	%	0.0000	%	
PER0260AU	Perpetual W/S Diversified Income Fund	9.9356%	9.9356%	-9.9356	%	0.0000	%	
ETL0404AU	PIMCO Dynamic Bond Fund - Wholesale Class	9.9159%	9.9159%	-9.9159	%	0.0000	%	
PLA0002AU	Platinum International Fund	4.9552%	4.9552%	0.0000	%	4.9552	%	
URW	Unibail-Rodamco-Westfield CDI	0.0000%	0.0000%	9.0000	%	9.0000	%	
VEQ	Vanguard FTSE Europe Shares ETF	6.1646%	6.1646%	0.0000	%	6.1646	%	
WES	Wesfarmers Limited	0.0000%	0.0000%	7.0000	%	7.0000	%	
WBC	Westpac Banking Corporation	0.0000%	0.0000%	9.0000	%	9.0000	%	
	Cash	8.2317%	8.1795%			11.5867%		
TOTAL		100.06%	100.00%			100.00%		

Model  
manager  
changes  
checked in  
real-time

Change model screen

Asset Code	Asset Name	Total Weight
AAA	BetaShares Australian High Interest Cash ETF	10.34%
ALL	Aristocrat Leisure Ltd	0.49%
ANZ	Australia and New Zealand Banking Group Ltd	10.42%
ANZPD	ANZ Convertible Perpetual Capital Notes 01/09/2023	8.00%
BHP	BHP Group Limited	0.38%
BXB	Brambles Ltd	0.40%
CBA	Commonwealth Bank of Australia	10.52%
CTX	Caltex Australia Ltd	0.41%
CYB	CYBG PLC	0.17%
FLT	Flight Centre Travel Group Limited	0.44%
FMG	Fortescue Metals Group Ltd	0.38%
IAA	iShares S&P Asia 50	4.36%
JHX	James Hardie Industries PLC	0.47%
LLC	LendLease Group	0.44%
MACASH	Managed Account Cash	12.02%
MQG	Macquarie Group Ltd	0.52%
NAN	Nanosonics Limited	0.40%
ORG	Origin Energy Ltd	0.50%
PDL	Pendal Group Limited	0.33%
PLA0002AU	Platinum International Fund	4.96%
RIO	Rio Tinto Ltd	0.30%
SEK	Seek Limited	0.35%
SGR	The Star Entertainment Group Limited	0.40%
TAH	Tabcorp Holdings Ltd	0.46%
TLS	Telstra Corporation Limited	0.59%
URW	Unibail-Rodamco-Westfield CDI	9.00%
VEQ	Vanguard FTSE Europe Shares ETF	6.16%
WBC	Westpac Banking Corporation	9.00%
WES	Wesfarmers Limited	7.40%
WPL	Woodside Petroleum Ltd	0.39%

Model  
manager  
changes  
checked in  
real-time

Summarised snapshot of flattened  
holdings for a "model of models"



Rule:	Setting:	Result
Max number of stocks	30	PASS
Min number of stocks	20	FAIL
Combined absolute weight limit (AWL) & active limit per stock	N/A	N/A
Index for measurement of active weights	N/A	N/A
Min liquidity per stock (\$M)	N/A	N/A
Listed debt - min credit rating	N/A	N/A
Min domestic market cap (\$M)	N/A	N/A
Min international market cap (\$M)	N/A	N/A
All Ordinaries	N/A	N/A
ASX 20	N/A	N/A
ASX 50	N/A	N/A
ASX 200	Can Be	PASS
ASX 300	N/A	N/A
ETFs	Allowed	PASS
LICs	Not Allowed	PASS
ASX Listed Debt	Not Allowed	FAIL
Warrants	Not Allowed	PASS
International shares	Not Allowed	PASS
Prohibited GICS Industry Group	N/A	N/A
Aggregate active weight over GICS sector weight	N/A	N/A
Aggregate active weight over GICS industry group weight	N/A	N/A
Stocks in minimum number of GICS sectors	5	PASS
Allocation range - Alternatives	N/A	N/A
Allocation range - AREITs	5.0000%-19.0000%	FAIL
Allocation range - Aust Shares	10.0000%-20.0000%	FAIL
Allocation range - Aust Bonds	0%-40.0000%	PASS
Allocation range - Cash	0%-30.0000%	PASS
Allocation range - Global Bonds	0%-40.0000%	PASS
Allocation range - Global Shares	10.0000%-20.0000%	PASS
Allocation range - GREITs	5.0000%-19.0000%	FAIL
Allocation range - Defensive	13.0000%-100%	PASS
Allocation range - Growth	N/A	N/A
Allocation range - Infrastructure	N/A	N/A
Allocation range - Fixed Interest	N/A	N/A
Allocation range - Commodity	N/A	N/A

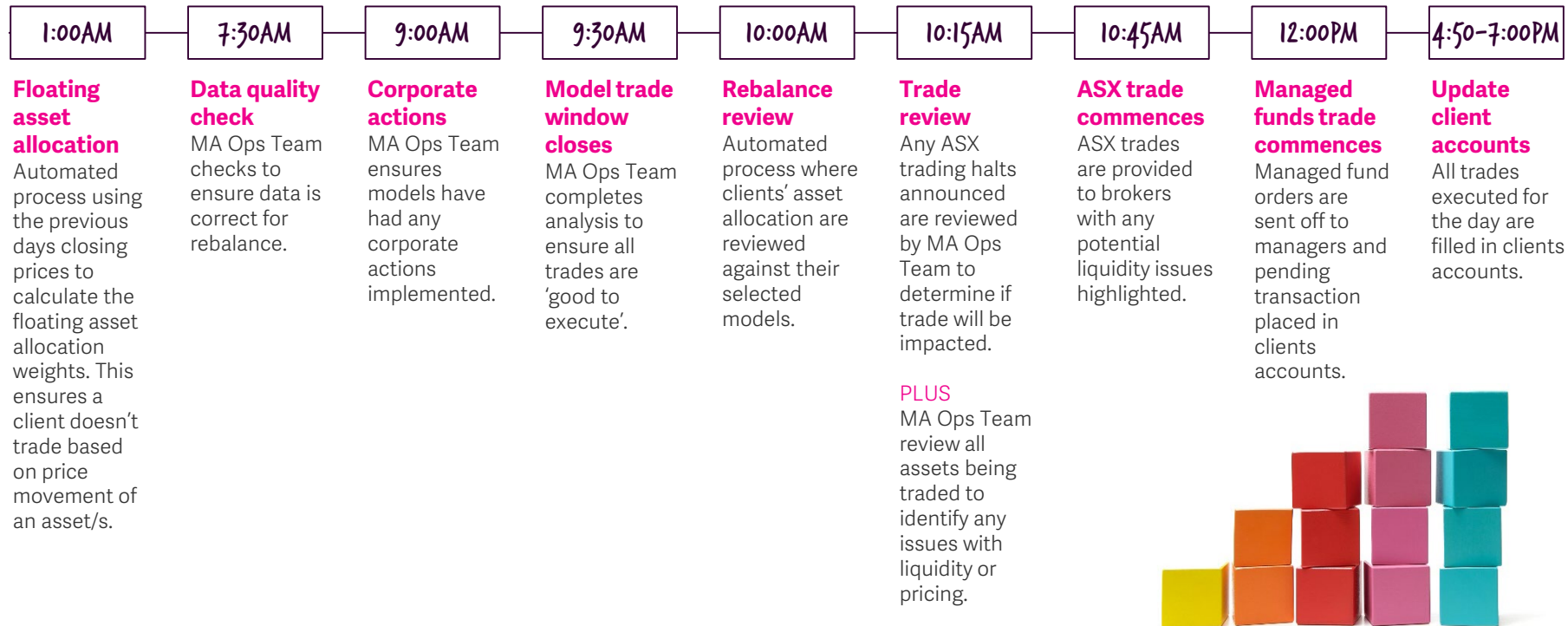
Model  
manager  
changes  
checked in  
real-time



# Model manager changes checked in real-time

GICS Sectors in Model	
Consumer Discretionary (25)	
Financials (40)	
Materials (15)	
Industrials (20)	
Energy (10)	
Real Estate (60)	
Health Care (35)	
Communication Services (50)	
Asset Allocation	Weight
Alternatives	0.00%
AREITs	0.00%
Australian Shares	54.16%
Australian Bonds	8.00%
Cash	22.36%
Global Bonds	0.00%
Global Shares	15.48%
GREITs	0.00%
Infrastructure	0.00%
Defensive	30.36%
Growth	69.64%
Fixed Interest	8.00%
Property	0.00%
Real Assets	0.00%

# Technology + people = daily rebalancing





# A case study in being “hands-on”

**Model manager wanted to change model weights, where all the trades were ETFs and of a significant value.**

- ETF trade \$500,000+ can have liquidity issues
- The total trade value = \$120m (\$53m Buy / \$67m Sell)
- The impact = 800 client accounts

## **Managed Account Ops Team**

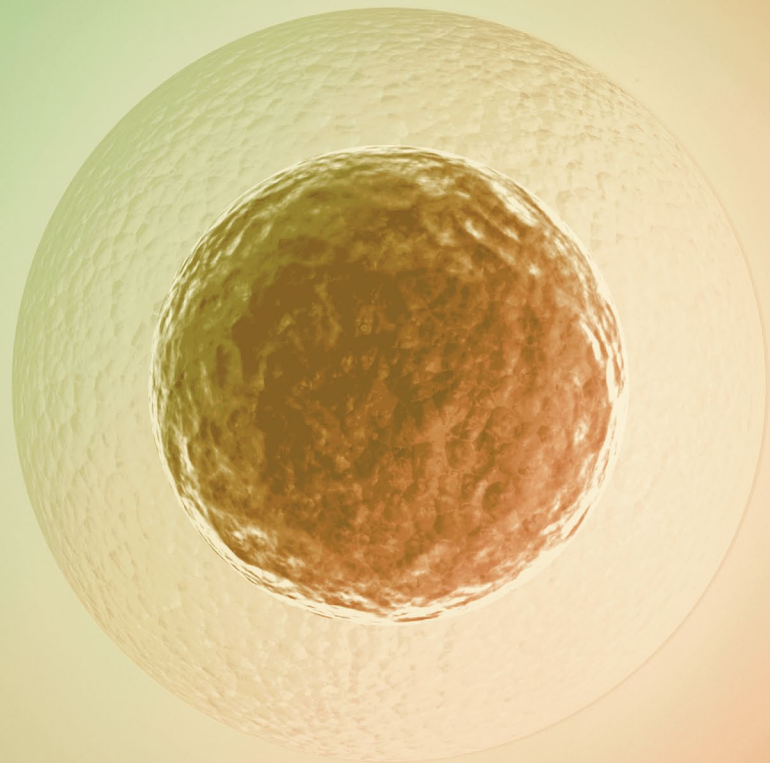
- Modelled trades and rebalances to identify any liquidity issues.
- Discussed the trade with our broker and lined up issuers and market makers for each ETF that could facilitate a trade of this size as close to NAV (Net Asset Value).

**When the trade happened, as a result of the discussions, clients were better off as they received pricing close to NAV and were not impacted by liquidity issues.**



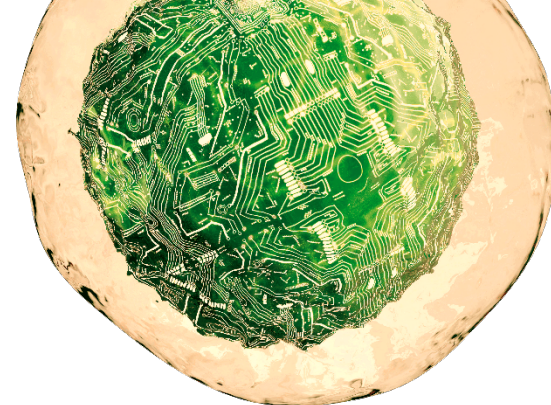


# Life after managed accounts

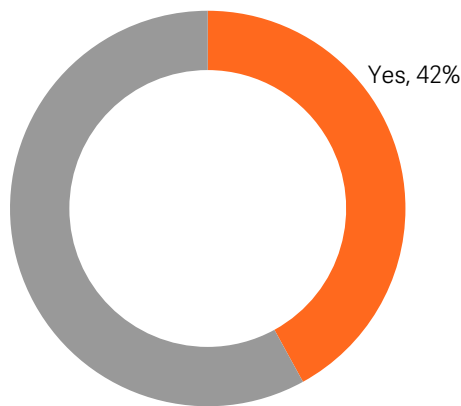




# The real-world impact of transparency



My clients have an improved understanding of their investment portfolio after using MAs



My clients think managed accounts benefit them in the following ways





# Transparency isn't for everyone

## For:

- Those that want to be learn/be educated
- Those that like detail
- Those who like control

## Don't care:

- Those who have delegated control

## Regardless...

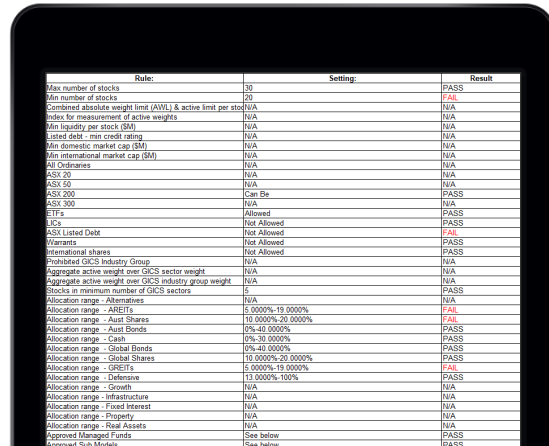
- Proper onboarding
- Ongoing communication



# Building trust with managed accounts

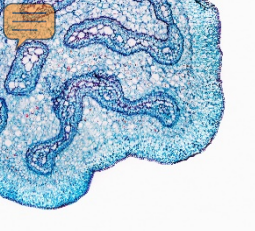
Managed accounts delivers your articulated investment promise (as it relates to what you have agreed with your client):

- Consistently
- Reliably
- With transparency of process
- Treating clients all the same regardless of size



Rule	Setting	Result
Max number of stocks	30	PASS
Min number of stocks	10	FAIL
Combined absolute weight limit (AWL) & active limit per stock	N/A	N/A
Index for measurement of active weights	N/A	N/A
Min liquidity per stock (\$M)	N/A	N/A
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Allocation range - Aust Bonds	0%-40.0000%	PASS
Allocation range - Cash	0%-30.0000%	PASS
Allocation range - Global Bonds	0%-40.0000%	PASS
Allocation range - Global Shares	10.0000%-20.0000%	PASS
Allocation range - GRCITs	5.0000%-19.0000%	FAIL
Allocation range - Defensive	13.0000%-100%	PASS
Allocation range - Growth	N/A	N/A
Allocation range - Infrastructure	N/A	N/A
Allocation range - Fixed Interest	N/A	N/A
Allocation range - Property	N/A	N/A
Allocation range - Real Assets	N/A	N/A
Approved Managed Funds	See below	PASS
Approved Run Monitor	See below	PASS



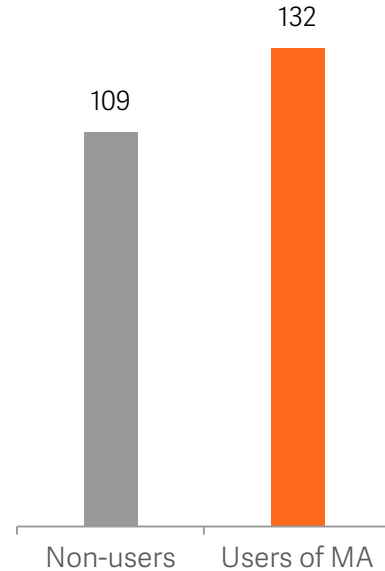


# Improving client engagement

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

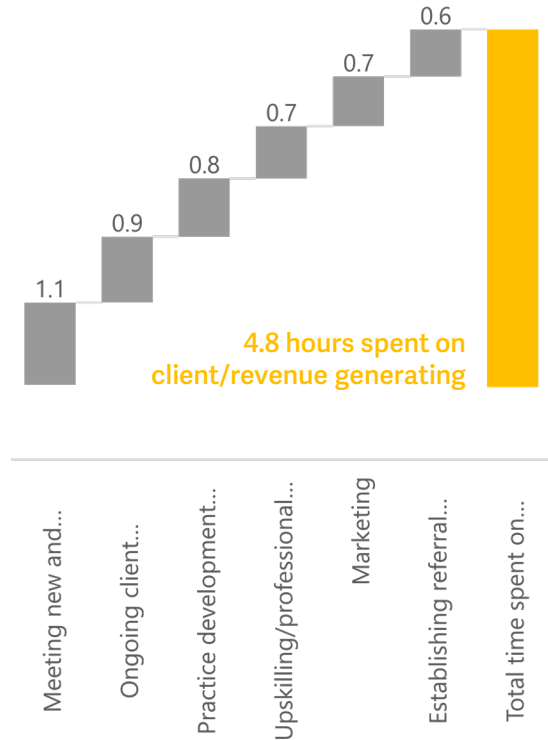


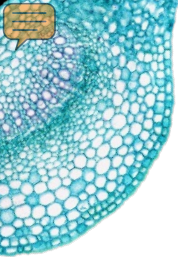
Adviser can service more clients after using Managed Accounts



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

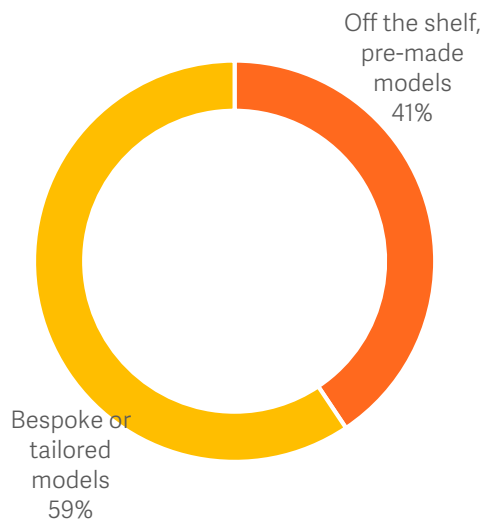
Adviser can use time for client and revenue generating activities



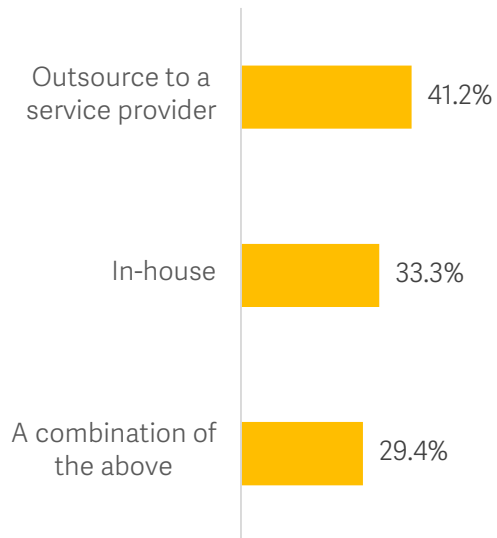


# To outsource or in-source?

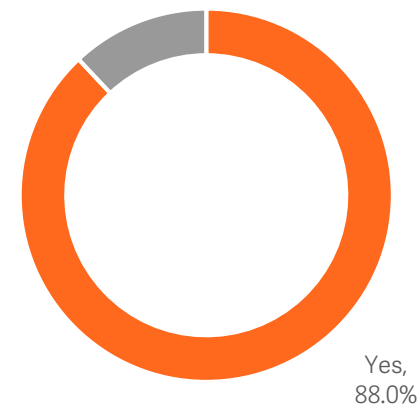
**If you provide MA models to your clients are these:**



**How do you administer Managed Accounts within your Practice?**



**Does your practice or AFS Licensee have an investment committee to help guide how MA models are selected, designed or monitored?**

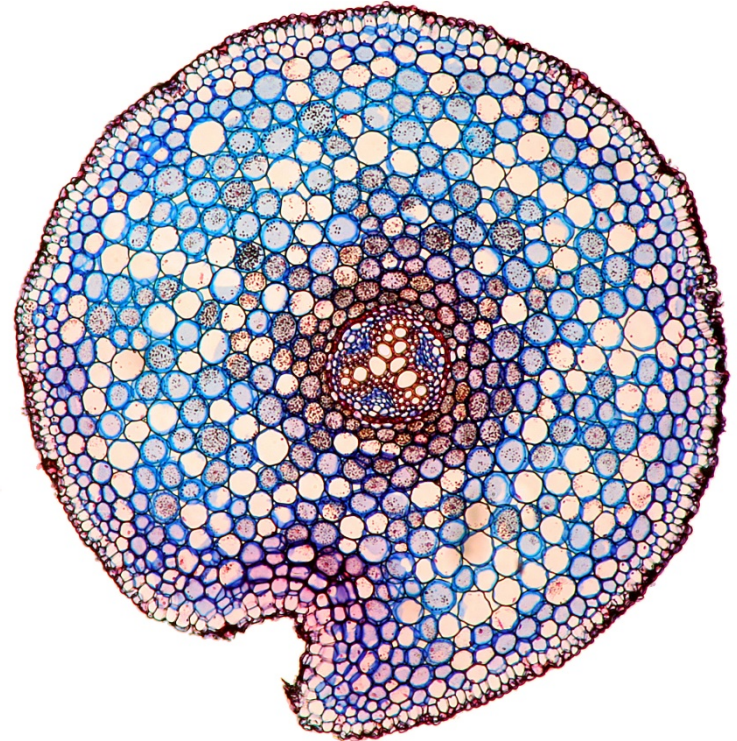






# Focus and discipline

- A clear investment philosophy
- Experienced staff
- A commitment to innovate and change
- AND most importantly have the focus and discipline to get their team trained up, and their clients onboarded to the solution.
- **The real benefits can be realised when the majority of your client base is using the same scaleable system.**

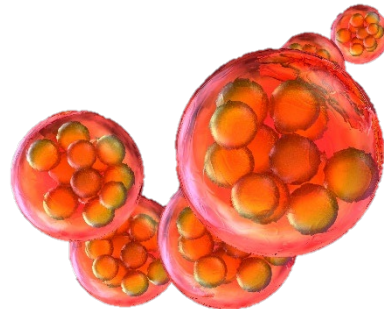




# Shifting from investment experts to goals based advice

Instead advisers need to leverage technology and outsourcing to deliver real value to clients in the following way:

- Holistic and customised advice
- Exceptional service
- Investment performance to achieve their goals
- Reasonable fees
- A trusting relationship

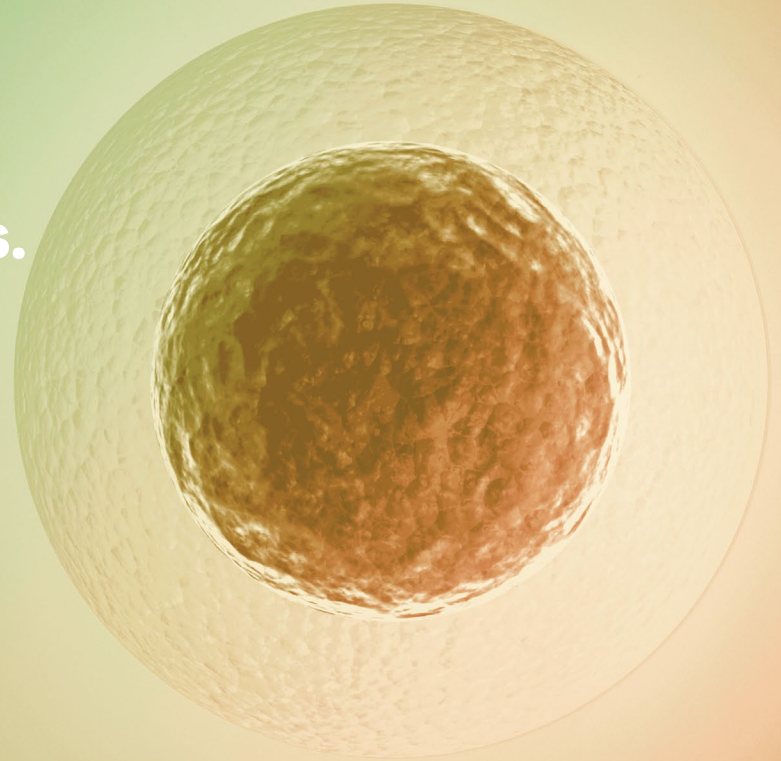


**“If we ignore and try to hold on to stock selection as being the reason we are here, we are going to die with the old. We will no longer be relevant. We have to evolve.”**

- Tabitha Tworek (insert title and company)



**“Managed accounts provide advisers the opportunity to implement a robust, repeatable and efficient investment process. If implemented correctly, this should free up significant time within the practice and in turn allow advisers to focus on the important strategic financial decisions facing their clients.”**



**- Neal Dunne, Director, Moore Stephens**



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