GUIDE SERIES 10

FINANCIAL STANDARD GUIDE TO

Multi-manager solutions

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The evolution of multi-manager solutions has greatly helped financial advisers, particularly as the range of investment opportunities has expanded.

Industry snapshot

Financial advisers are facing ever-increasing pressures and demands on their time. If it's not keeping up with the future of Financial Advice reforms, it's researching the myriad of investment products available to make sure they're not missing out on any that would suit their clients. But as more advisers realise their expertise is in providing strategic, rather than investment advice, attention is being turned to outsourcing this part of the business to multi-manager solutions.

Today's multi-manager solutions are very different to the ones that were first launched many years ago. The global financial crisis (GFC) and the more challenging investment conditions that resulted brought a number of changes. Following the GFC, the performance of investments suffered. As a result, financial advisers struggled to achieve the gains their clients required and rather than try and add value in an environment where it was proving so difficult, they began reconsidering the benefits of multi-manager solutions for investment expertise.

Multi-manager solutions blend specialist managers and strategies through the use of mandates from different managers into one offering. Traditionally, advisers would typically choose a selection of sector funds but nowadays there is a range of sector and diversified investment options from which to choose.

The key advantage of multi-manager solutions over single-manager funds is portfolio diversification: a single fund manager offers a far less diversified solution and is likely to experience more volatility in performance. While single manager investments certainly have their place, they can expose investors to the risk that the manager's preferred strategy underperforms at certain times during the economic cycle.

Perhaps one of the main reasons for the increased interest in multi-manager solutions is that advisers want to better service their clients, while delivering reliable investment outcomes. Clients are requesting a more holistic offering from their advisers, which means more time needs to be spent discussing broader wealth-creation strategies, tax and estate planning while mapping goals and objectives. Outsourcing the investment proposition to multi-manager solutions frees up advisers' time so they can add further value in achieving clients' financial goals.

The evolution of multi-manager solutions has greatly helped financial advisers, particularly as the range of investment opportunities has expanded. Many financial advisers do not have the time, expertise or scale to investigate the funds that best suit their clients' objectives, multi-manager solutions help with this responsibility, while at the same time providing great outcomes for clients.

What are multi-manager solutions?

Multi-manager solutions are a number of specialist strategies from different managers within one fund. They are based on the premise that no one manager is likely to perform well in all market conditions, and that no one can consistently predict which managers or which style of investing will outperform over given periods.

A multi-manager solution is set up and managed by a product provider, usually a major financial institution such as IOOF, BT or MLC. The assets are held in a single pool, just like any managed fund, and provide visibility and transparency. When selecting a multi-manager solution, advisers should always ensure there is full transparency around the provider's selection of fund managers and strategies.

Today's multi-manager solutions are much more sophisticated and are able to cater to a wide range of client requirements and varying risk appetites. Key benefits include:

Access to niche managers: Certain smaller boutiques, and even larger fund managers may not be accessible to retail investors, while multi-managers can have access to any fund manager through mandates, regardless of which size or platform they sit on. But advisers can gain access to these fund managers as part of a multi-manager solution. Multi-managers will also use customised mandates tailored to their needs.

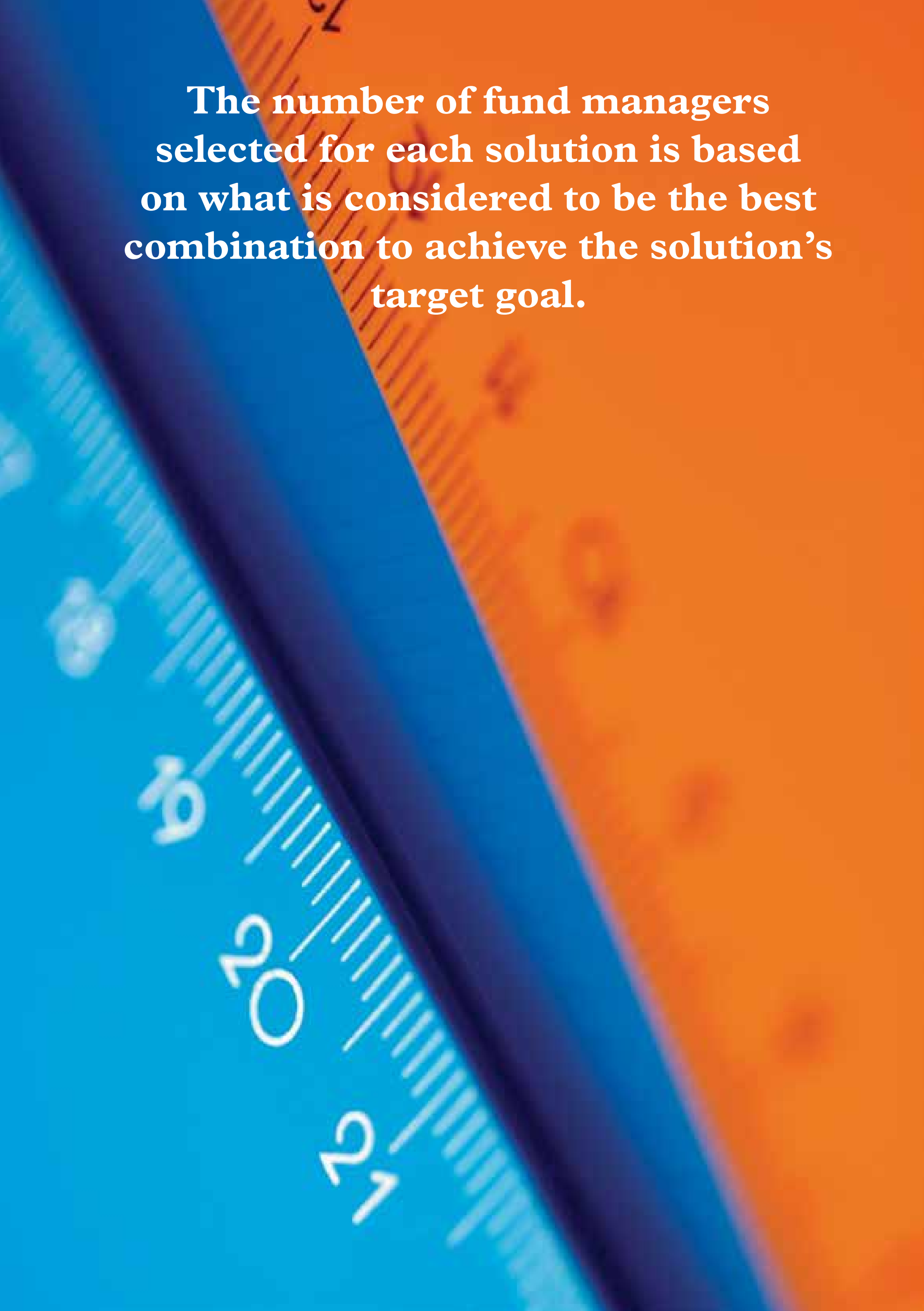
Asset allocation: Multi-managers offer a range of carefully selected diversified asset allocations for different risk profiles, from conservative through to high growth. Rather than try and work out the most appropriate asset allocations for their clients' needs in varying market conditions, the process is carefully managed, continuously monitored and reviewed by the product provider.

Sector strategies: Multi-manager solutions cover a wide range of asset classes – not just domestic and international equities – such as alternatives, infrastructure, direct property and fixed interest. This range helps financial advisers ensure their clients' portfolios are well diversified with access to a broad range of asset classes.

Ability to blend: Some of the issues with multi-manager solutions in the past included getting the right mix of fund managers. Getting the mix right requires sophisticated analysis of the managers and strategies required to achieve the target goals. Multi-manager solutions typically have dedicated portfolio managers whose sole job it is to finetune the correct percentage of investments and manager blend.

Key characteristics of multi-manager solutions:

- **Portfolio diversification***:* Access to a huge range of different funds, companies, assets and strategies.
- **Expert management:** The provider of multi-manager solutions continuously monitors and manages the fund managers.
- **Active asset allocation management:** Dynamically responding to market cycles by changing the allocation to best suit the conditions.
- **Risk management:** The volatility around investment risk is minimised by including a number of different fund managers.
- **Automatic rebalancing of portfolios:** When assets are over or underweight, the set risk profile is maintained by automatically selling or buying assets as appropriate.
- **Cost efficiency and convenience:** The cost of business is reduced as the administration associated with investment implementation is minimised.



The number of fund managers selected for each solution is based on what is considered to be the best combination to achieve the solution's target goal.

The nuts and bolts of a multi-manager solution

Multi-manager solutions are like having a team of investment professionals working on behalf of advisers for their clients. While very sophisticated, much hard work goes on behind the scenes to make the comprehensive investment solutions appear simple.

Most providers of multi-manager solutions have a dedicated portfolio manager who is responsible for each asset class, such as international equities, domestic equities, property and fixed interest. Within this universe, there are single-sector funds and diversified funds. A **single-sector fund** uses a number of different fund managers to invest in a single asset class. A **diversified fund** uses a number of single sector funds across a range of asset classes, as the single sector funds are the building blocks of a diversified fund. The fund offering will vary in terms of the defensive and growth split.

Each underlying fund manager has a particular role to play within the multi-manager solution. One manager's specialist skill might be in growth strategies, another's may be in small companies. By combining these different skill sets, a more comprehensive solution is created. The objective of blending various strategies is to achieve the fund's stated return objectives, thereby helping investors achieve their investment goals. The portfolio manager's role is to continuously review these fund managers and actively manage their performance to ensure the mix remains optimal.

The number of fund managers selected for each solution is based on what is considered to be the best combination to achieve the solution's target goal. Not every solution comprises the same number of fund managers. For example, one provider may use seven different managers for an Australian shares multi-manager solution, while another may opt for 10.

The managers and strategies selected depend on the multi-manager solution. For example, a fixed interest, multi-manager solution may comprise specialists in Australian or international fixed interest, inclusive of exposure to government bonds, corporate debt or asset-backed securities.

In more recent years, providers of multi-manager solutions also use strategies such as buy-write, hedging, smart beta, ETFs and derivatives to gain asset class exposure and achieve the fund's return objectives.

Why is a multi-manager solution a sensible option?

Advisers in today's competitive investment environment need to work harder and smarter to service and retain clients. Rather than researching and dealing with the administration and risk-management side of investments, advisers want more time to spend on helping clients achieve their strategic goals and objectives, while still allowing them to implement strong investment choices.

Multi-manager solutions free up advisers' time to do this while also providing the investment choices that best suit their clients' risk and return profiles. Advisers are catching on to their benefits as evidenced by the increase in inflows. Figures from Lonsec show total funds under management in Australia for traditional multi-manager solutions to December 2015 were $154 billion.

These solutions can also play a huge role in helping advisers prepare for upcoming legislation, especially around portfolio monitoring – a key area of importance. Depending on the relevant service agreement, advisers can be in breach of contract if they fail to continuously monitor their clients' portfolios. A multi-manager solution is actively managed by the provider, which takes the risk out of advisers' hands while also giving them more time to focus on client-facing activities.

While handing over fund and manager selection to someone else might go against the grain for some advisers, research has found clients are less interested in what investments are chosen for them than their adviser may think. A whitepaper produced by IOOF in July 2014 about clients' expectations found that when it came to satisfaction around investment experiences, there was a relatively high level of satisfaction regardless of the method of implementation.

In other words, clients just want their advisers to produce a holistic plan that helps them achieve their goals and objectives and are less bothered by the methodology by which this is achieved. These holistic plans include more advice around estate and tax planning, cash-flow management and savings strategies. This attitude towards investments presents a strong case for multi-manager solutions as advisers can focus on helping clients where they see value while leaving the investment selection to experts.

Where multi-manager solutions add value for financial advisers:

Active management of underlying fund managers

Multi-manager solutions do not take a set-and-forget approach. Providers of these solutions actively manage the underlying fund managers they have selected. Depending on market conditions, the exposure to each solution can be changed: either increased, decreased or even removed from the fund if the provider believes this is the appropriate action.

In addition to providing access to niche strategies such as real return, micro-caps and emerging markets, multi-manager solutions also provide complete transparency, allowing advisers to look through to the underlying holdings at all times.

Being able to outsource the monitoring and management of these solutions frees up advisers to focus on other parts of their business.

Active asset allocation

The success of any investment solution largely depends on the asset allocation. Multi-managers typically offer a range of diversified funds with asset allocations ranging from high growth options through to more conservative solutions. Setting the long-term asset allocations for each of these funds is a critical task for multi-managers. It involves a rigorous review of long-term return assumptions for each asset class as well as an estimation of return correlation between asset classes. Long-term asset allocations are optimised for each fund with the goal of achieving a target level of real return at the lowest level of risk possible.

While multi-managers traditionally set long-term strategic asset allocations, they often take a dynamic approach to asset allocation over medium-term time frames. This involves tilting away from the long-term strategic asset allocation targets in response to market conditions. This flexibility to vary the amount of money between asset classes is a key component of risk control in many multi-manager offerings. Rather than needing to be aware of and managing their client portfolio in response to market movements, advisers can be confident that the assets in these funds are constantly being managed to ensure the set goals of the fund are reached. For example, if equity markets looked particularly expensive and vulnerable to negative returns, a multi-manager may tilt away from equities to a more defensive asset class.

In addition to tilting the asset allocation of portfolios to account for market conditions, multi-managers rebalance asset allocation based on whether it is under or overweight in particular assets – a task that would be very time-consuming for advisers to undertake.

Scale and efficiency

Clients are demanding more from their financial advisers while keeping a keen eye on the fees they are being charged. While advisers have access to a wide range of tools to research investments, it is difficult to access the same amount that providers of multi-manager solutions have with regards to underlying investments, lower fees and professional portfolio management. Multi-manager solutions offer scale and access to assets and niche managers that are typically not available to retail investors or advisers. They also free up advisers from needing to deal with compliance requirements.

Practice management benefits

Multi-manager solutions offer advisers a number of benefits that assist with managing their practice, such as:

- **More time to spend developing client and business strategies:** Clients expect their investments to be continuously monitored and for their advisers to inform them if changes are to be made. Providers of multi-manager solutions undertake this monitoring and make adjustments in line with market movements. Less time spent on needing to research funds and managers gives financial planners more time to spend on developing their business and providing clients with holistic plans around estate and tax planning, and wealth creation.

- **A reduction in the cost of doing business:** The administration associated with multi-manager solutions is minimal for financial advisers as this process is outsourced to the provider. This reduces advisers' costs and provides more value-add to portfolios, while at the same time de-risking their business, as the multi-manager provider is responsible for rebalancing the solution.

- **A reduction in the cost of investing:** Providers of multi-manager solutions have access to wholesale pricing, which advisers don't necessarily have. Also, they use a mandate structure (rather than a trust structure), which means there are minimal buy and sell costs when changing managers. These cost savings benefit advisers and ultimately their clients.

If equity markets looked particularly expensive and vulnerable to negative returns, a multi-manager may tilt away from equities to a more defensive asset class.

Industry Snapshot

Delivering performance* and choice so you can accelerate with confidence

At IOOF, we believe in active management because it provides superior risk adjusted returns over the long term. We know however that some clients are willing to forgo active management in return for lower fees. The great news is that you don't need to compromise. IOOF now offers two multi-manager ranges so you can pick the right investment option for your client and accelerate with confidence.

IOOF MultiSeries is a range of funds that are predominantly actively managed and offered at a lower cost when compared to other active funds. For those that don't want to compromise, IOOF MultiMix is our premium fully active, award winning alternative.

IOOF Multi-Manager Investments

IOOF MultiSeries
For clients who want active management but are prepared to forgo some active exposure in order to reduce fees.

IOOF MultiMix
The premium fully active multi-manager investment solution for clients who don't want to compromise on active management.

With our extensive multi-manager experience, both our IOOF MultiMix and IOOF MultiSeries investments add value on three fronts.

1

Active asset allocation

A dynamic, research-driven and disciplined approach.

2

Active management of high quality managers

A thorough process with continual monitoring.

3

Active risk management

A robust approach, managing risk at every stage of the process.

In addition to multiple levels of value add, the IOOF multi-manager approach separates itself from its peers:

- Our unique boutique manager program benefits all unit holders as it is not held separately.
- Our exceptional approach to managing a defensive portfolio saw IOOF create a new asset class to ensure that exposure was limited to our more conservative funds.
- Our solid property track record extends past managed funds and includes direct in-house retail property expertise.
- Our performance speaks for itself - Lonsec Multi-Sector Fund of the Year 2016.

Speak to a specialist today

IOOF Investments has a long history in delivering premium multi-manager funds that enable you to accelerate in your business by providing robust solutions so you can focus on a holistic plan whilst our investment specialists focus on delivering performance. For more information, contact Charles on the number below, or contact IOOF Adviser Services on 1800 659 634 or go to www.ioof.com.au/multi-managersolutions

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Fees

While fees are a key consideration of any investment, they should not be viewed in isolation. Fees for multi-manager solutions are extremely competitive considering they offer a holistic, one-stop investment solution that incorporates a range of specialist managers and strategies within a single fund. Financial advisers can also choose to outsource some of or their entire investment proposition to a multi-manager solution according to their clients' requirements.

Does it cost more to use a multi-manager solution?

The fees associated with multi-manager solutions depend on the individual provider of these solutions, and can be found in the relevant product disclosure statement. They generally include an investment management fee that encompasses the underlying fund manager's fees. While it might be assumed that having a number of fund managers within one fund would lead to higher fees than using a single manager, fees are generally the same as those charged for investing in a single manager fund.

There are also a number of ways providers of multi-manager solutions can bring down costs. For example, providers are generally very large institutions and have scale benefits, which puts them in a strong negotiating position with the underlying fund managers, which is then reflected in the fees. Advisers might not necessarily have the same negotiating power.

Tools such as derivatives can also be used more efficiently to implement the fund's investment objectives. For example, a multi-manager may sell futures rather than having to sell direct equities. Again, because of their size, providers of multi-manager solutions are more likely to have the expertise and access to these tools than financial advisers.

Mandate versus trust structure

Another way fees are minimised is through the mandate structure that the multi-manager solutions operate under. A mandate structure means the provider retains ownership of the assets in a single pool. This allows efficient trading and transition of assets. Rebalancing between managers is also efficient. For example, if a manager is removed, the assets can be transferred to an incoming manager rather than having to redeem all the units in the trust. Also, if one of the underlying fund managers decides to reduce their position in equities, that change can be made instantly under a mandate structure.

Financial advisers who choose to research and implement their own investments may find they can't make decisions as quickly as they'd like as they need to deal with the trust structure that individual fund managers operate under. This means any changes advisers want to make require them to provide their clients with a record of advice, that then needs to be confirmed by the client before any buy or sell orders can be submitted. In some cases this can take one or two weeks and any advantage from market movements can be lost.

The opportunity cost of a multi-manager fee for an adviser should also be considered, especially the time savings. By outsourcing some of the non-core functions of the practice, such as research, fund implementation and rebalancing, advisers can spend more time in front of clients servicing their needs and working on developing new business opportunities.

Another way fees are minimised is through the mandate structure that the funds operate under.

Looking under the bonnet

Research has found a majority of investors are not overly interested in what investments are chosen for them as long as their investment objectives are being met. But when it comes to investments, it's important for advisers to understand what's "under the bonnet". Providers of multi-manager solutions should be able to support their offerings with a clear explanation of how they manage their funds and what securities are held within them.

When researching these solutions, advisers should check that the accompanying collateral demonstrates how they work and why particular fund managers were selected. Online tools should also be available so advisers can demonstrate to clients the make-up of these solutions. It is important for advisers to have the right tools to support the conversation with clients who are interested. These tools help build confidence about how the solutions help clients to reach their goals while also providing them with transparency so they are able to see for themselves.

Managing the managers

Multi-manager solutions offer access to leading fund managers including those that aren't normally available to retail clients. Managing the underlying fund managers involves constantly reviewing and monitoring the existing ones as well as adding new ones that may provide a better fit because of changing market conditions. This active management approach means new opportunities are continuously assessed and implemented. The client portfolios of financial advisers benefit as risk and return outcomes are potentially improved.

Generally there is a portfolio manager for each asset class who is responsible for constructing the multi-manager solution. They are also responsible for managing each strategy that the solution operates under. This process is a rigorous one that involves intensive research, due diligence, risk management and monitoring procedures.

With so much choice available it's important for portfolio managers to select the right fund managers for each solution.

To help identify the most appropriate fund managers, portfolio managers may partner with asset or investment consultants. For example, if a global small-cap multi-manager solution was being set up, the portfolio manager might partner with an asset consultant to identify the strongest small-cap fund managers. Conducting research this way means the consultant carries out much of the due diligence, leaving the portfolio manager to then meet with a shortlist of fund managers and pick those that best suit the fund's requirements. This process is a lengthy one that requires access to many resources that a financial adviser is unlikely to have.

Monitoring and reviewing underlying fund managers

It's important for providers of multi-manager solutions to be actively involved in overseeing the performance and execution of the underlying fund managers' strategies. Markets and managers need to be continuously monitored to ensure they are performing in accordance with the objectives of the multi-manager solutions.

All fund managers need to undergo the provider's own due diligence. This involves meeting regularly to discuss stock selections and market views. Fund managers may be replaced if the provider feels they are no longer performing according to the purpose for which they were selected. For example, say a value manager, whose philosophy is to buy stocks at a discount, started buying growth stocks. This would present an issue as the value manager would have been selected for a particular purpose within the fund – namely to provide a value option, not a growth one.

Portfolio managers have a steady flow of information at their fingertips to help manage the fund managers, including all their daily stock trades and all the stocks traded from one period to another. This allows the portfolio managers to have much richer conversations with the fund managers when they meet, for example asking for more detail as to why certain stocks were bought or sold at particular times. Also, under a trust structure, this trading data is not available for up to 15 days, and this time lag could adversely affect any decisions portfolio managers make regarding strategy.

Risk management

Risk management is a crucial element of every financial adviser's business, especially during market volatility. A key part of managing risk comes down to asset allocation. Research shows 80% of a portfolio's return comes from asset allocation, which is why so much time is spent on getting this part of the process right.

Providers of multi-manager solutions use different risk-management strategies and systems to ensure target performances are reached. Before the GFC, the most common strategy was strategic asset allocation, which was designed around long-term historical return and risk expectations.

Following the GFC, there was a need for a more hands-on approach to respond to unexpected market movements. A common strategy nowadays is dynamic asset allocation. This involves altering the percentage of assets when market-pricing anomalies occur so portfolio managers can create extra value by taking advantage of market conditions. For example, in times of crisis, they may spot opportunities, such as cheaper equities, and respond by buying more. In contrast, advisers handling their own investment decisions may not have the time or expertise to respond to market conditions as quickly as they would like.

The same also applies to the concept of strategic tilting, which takes advantage of extreme market movements by temporarily adjusting or "tilting" a portfolio's risk exposure from its strategic asset allocation. This strategy is used selectively as opportunities emerge, and differs from dynamic asset allocation in that the latter generally involves continuous buying and selling, whereas tilting involves taking occasional positions.

Portfolio managers who use strategies such as dynamic asset allocation or tilting are able to take short-term views to benefit from varying market conditions. Effective use of these strategies can add significant performance to a multi-manager solution.

Other key considerations

Markets have experienced much turbulence over the past 10 years. The GFC resulted in downturns in many countries and more recent events such as Brexit, where the United Kingdom voted to leave the European Union, may lead to more volatile conditions. It's anyone's guess as to what the next "unknown" event will be, but one thing is for sure – there will eventually be one.

This uncertainty about the next market event highlights the attractions of multi-manager solutions, especially around their ability to reduce volatility and risk. As financial advisers seek to de-risk their businesses, multi-manager solutions provide a way to lower volatility, provide diversification as well as consistent returns during market turbulence.

Research shows 80% of an investment's return comes from asset allocation, which is why so much time is spent on getting this part of the process right.

Tax and compliance

Fund manager selection is a compliance and risk issue for advisers, and if they get it wrong, it is one that can turn into an expensive headache. With multi-manager solutions, the compliance and risk is outsourced to the solution provider, who also handles all due diligence matters. By outsourcing these processes, advisers can focus on adding value to other parts of the client experience, building better relationships rather than on selecting and monitoring fund managers.

Multi-manager solutions also offer a number of tax benefits as providers can switch between the underlying fund managers as often as they need to without incurring any capital gains tax.

The advantage for advisers is that the regulation and compliance can be outsourced to the solution provider.

Case studies

Case study 1:

Multi-manager funds help create a diversified life

Rod Giri, a financial adviser with Bridges Financial Planning says he has a number of clients who use multi-manager funds.

“One of my clients – a 58-year-old man – was unhappy with the way he was being treated by his industry fund,” Rod says. “He had insurance inside his current fund but there was some confusion over his insurance cover. So he asked me to find out the details of his old fund with the view of moving him to another one.”

A particular issue his client needed help with was around the concept of diversification and its importance when investing long term. Rod felt it was a good opportunity to discuss with him the advantages multi-manager funds offer.

“I told him that as an investor, you need to diversify over not only different asset classes but also across different fund managers,” Rod explains. “An industry fund, for example, ultimately has one investment, either a CEO or CIO, overseeing all investment decisions. However, a multi-manager fund has a number of investment managers in each asset class and this ensures you also have diversification of ideas and investment management styles.”

Multi-managers also play an active role in all the decisions to do with asset allocation and Rod says this means they add value on two different levels: namely identifying the specialist manager within each asset class and changing the allocation between the asset classes in line with their current view on the market.

“This means there are two levels of investment control and management,” Rod says. “There is the underlying fund manager who has control of the assets, which the fund is invested in and the multi-manager who monitors the fund manager. It is the multi-manager who decides what amount will be allocated to a particular fund manager and if necessary can also decide to take away the funds and transfer them to another manager if the fund is not performing.”

Multi-manager funds have a number of additional benefits. They feature an automatic rebalancing facility, which is a portfolio-management process in which investments that have appreciated are sold in order to take a profit. These profits are then reinvested into sectors that are out of favour. Automatic rebalancing helps investors keep the asset allocation of their portfolios in line with their stated investment goals.

Rod explained to his client that a multi-manager fund is a cost effective and convenient way to meet specific investment objectives. The investment specialists managing a multi-manager fund research, select, manage and blend multiple individual managers to ensure they are achieving the desired investment outcomes for investors.

"A multi-manager fund provides the convenience of a single point of contact for access to a diversified range of fund managers, geographies and sectors," Rod says. "Further, fees for these types of funds are equivalent to investing in a single manager fund – the added diversification does not come with an extra cost."

After discussing these benefits with his client, it was decided that they rollover most of his funds into a multi-manager fund and set up a transition to retirement allocated pension.

"We retained a small balance in his existing super fund for his super guarantee, salary sacrifice and to maintain his insurance cover," Rod says. "This strategy will place him in a stronger financial position than if he remained with his current fund with the current strategy."

This strategy will place him in a stronger financial position than if he remained with his current fund with the current strategy.

The scale of the multi-managers means the cost of investing is reduced as they can access wholesale pricing.

Case study 2:

Adding value through outsourcing portfolio management

Becoming a client's "financial coach" forms a key part of Mark Wyld's practice. Mark is Managing Director of MW Wealth Management and says from the outset, when he sits down with a client, he explains that as financial advice is becoming more of a commodity, the need for a coach is critical.

This view is backed up by research conducted by IOOF, which found that clients are more interested in a holistic plan that shows them reaching their goals rather than one that outlines all the steps in how they get there. In other words, they are less interested in the method of implementation around investment products.

"Our firm seeks to influence behaviour and help our clients understand how their existing behaviours will impact upon their goals," Mark says. "Therefore we put a large emphasis on cash-flow management as we believe this will have the largest impact on the financial plan."

Mark found outsourcing investments to a multi-manager has been extremely beneficial for his practice. “It allows us to focus on the important matters for the client and aligning them to their goals and objectives,” he says. “We believe in outsourcing portfolio management to specialists who construct portfolios with specific return requirements. As they are specialists with more resources, skill, time and expertise they are likely to do a better job than us.”

Multi-manager funds add value to an adviser’s business by providing strong risk controls through diversification and rebalancing; solid performance; specialist skills and knowledge, through access to world-class research; and ongoing support.

Easing the strain on the business is a key advantage of these funds.

“Multi-managers reduce the time required to deal with individual investments by automating the strategic and tactical asset allocation, and conducting all the manager reviews, research and selection of managers,” Mark says. “This leads to a reduction in the cost of doing business. Because multi-managers look after the manager and strategy changes associated with the fund, we don’t need to spend time on these processes.”

Mark adds the scale of the multi-managers means the cost of investing is reduced as they can access wholesale pricing.

“Outsourcing our portfolio management side of the practice gives us more time to build our business as less time is spent on researching individual funds and managers,” Mark says. “Of course investments are important, hence this is why we align the asset allocation to our clients’ objectives. Once the correct asset allocation is established, it should be a relatively passive approach.”

Mark says the primary objective of his clients is to have the peace of mind that they are on track to achieve their goals. “In order to give our clients this, we benchmark their progress,” he says. “Multi-managers allow us to focus on our role as coaches and helps us give our clients the peace and confidence that they seek.”

Glossary

Asset consultant: A consultant who researches assets and fund managers and can assist wealth managers with their decisions around portfolio composition.

Asset allocation: The way a portfolio is divided among different asset categories such as equities, bonds, fixed interest and cash to balance risk versus reward.

Dynamic or tactical asset allocation: A strategy that involves rebalancing a portfolio to bring it back to its long-term target. For example, outperforming equities may be sold and positions in underperforming assets added. The aim is to reduce the risks associated with market fluctuations in order to achieve target returns.

Fund of funds: Another name for a multi-manager solution.

Multi-manager solution: An investment product that consists of multiple specialist funds from a number of different fund managers.

Mandate structure: A structure whereby the provider of the multi-manager fund retains ownership of the assets managed by the underlying fund managers. This helps minimise the assets that must be bought and sold when changing managers.

Risk management: Involves forecasting and evaluating the risks of a portfolio and making adjustments to minimise their impact.

Strategic asset allocation: An investment portfolio strategy where target allocations for various asset classes are set and rebalanced to maintain the original allocations.

Strategic tilting: A strategy that takes advantage of market volatility by temporarily adjusting or 'tilting' a portfolio's risk exposure from its strategic asset allocation.

Accelerate with **confidence**

At IOOF, we now offer you a choice so you can pick the right speed for your client and accelerate with confidence. IOOF **MultiSeries** is a range of funds that are predominantly actively managed at a lower cost when compared to other active funds. For those that don't want to compromise, IOOF **MultiMix** is our fully active, award winning alternative. With our extensive multi-manager experience, our solutions add value on three fronts – active asset allocation, active management of high quality managers and active risk management. Our processes have been crash-tested and fine-tuned over decades and our outcomes speak for themselves. So if you're ready to pick up the pace, then pick up the phone.

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