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Arnie Selvarajah
chief executive officer
Bell Direct, which
powers Desktop Broker

Introducing flexible managed accounts

In the coming weeks, Desktop Broker, powered by Bell Direct, will launch an open architecture managed accounts service created specifically to enhance financial advisers' investment efficiency and lower costs.

The next evolution in managed accounts is fast approaching.

Desktop Broker, the investment platform born out of broking house Bell Potter and the diversified ASX-listed group Bell Financial, will soon introduce its own managed accounts solution for advisers.

Next month the investment platform plans to leverage its open architecture to add the Bell Potter Guided Portfolio Service – a new product which will include a range of six managed portfolios.

Why managed accounts?

Bell Direct chief executive officer Arnie Selvarajah⁰¹ says that the work of financial advisers has become more complex in recent years, especially following the Global Financial Crisis. The constant navigation of new regulation and compliance is forcing advisers to find new efficiencies in their businesses and in their investments.

Alongside these developments is an investment market which has become more complex. Even though equities have endured a long bull run, more volatility on a day-to-day basis adds to adviser pressure on maintaining good returns.

It's this and more which makes managed accounts a feasible option.

"Getting some help from a professionally managed portfolio is certainly an opportunity for advisers to deliver good results for their clients," Selvarajah says.

"Across every industry in every part of the world, we're all coming under margin pressure, so advisers need to find ways they can deliver a good quality service that's at a lower cost to them – but without degrading the service quality and performance quality of clients' portfolios."

Putting all this together, Selvarajah believes it makes a lot of sense for advisers to focus on the strategic advice component of their client relationships and to use a professional to help with asset allocation and management of client investment portfolios.

"I liken it to the relationship between a GP and a specialist. You go to the GP for that relationship where they'll do the triage for you and understand who you are and what you need – but for some of the more complex things they'll refer you to someone who is a specialist in that area," he says.

Trusts and wraps less dominant

Desktop Broker believes the rise of managed accounts and other investment vehicles will continue to fragment the industry. Ten years from now, Selvarajah says, "we won't see the dominant activity that we see from the big five today in the wealth or wraps sector."

But to say the game is over for trusts and wraps is an over simplification. Selvarajah says the ability to innovate is coming from smaller, more nimble players and that allows businesses such as Desktop Broker to "create a solution that's a lot more efficient and effective in the management of clients' portfolios."

"We know that clients are generally looking for better access, better options, more transparency, better performance and all at a lower cost – that's the market dynamic. The advisers have to be able to deliver that to clients in an efficient way," Selvarajah says.

"We have to create solutions for clients that allow them flexibility but also at a level that allows them to participate without a prohibitive cost level.

"The emergence of managed accounts allows that to occur for advisers by giving them more flexible approaches to provide for their clients."

The new Guided Portfolio Service

Put simply, an adviser will open a client account on Desktop Broker and then have the ability to link that account to one of six managed portfolios, or a combination of the six, depending on the client's investment objective.

According to the chief executive, the idea is that any adviser or client can create a blended portfolio from the range of professionally managed portfolios. He explains the six new portfolios will cover the full breadth of asset allocation and include direct equities and ETF's in the main. There will also be pure ETF models.

The models will also be created around achieving certain investment objectives. As an example the models will try to achieve CPI plus a certain percentage target rather than base themselves around a client's investment behaviour.

"This way it makes it a lot more tangible and more transparent to what the client wants to achieve," Selvarajah says.

Once the client's portfolio is allocated to a model or a combination of models, Desktop Broker will then auto rebalance the client's portfolio to match the model. The rebalancing

is likely to occur every quarter unless there's a market event which warrants a significant portfolio shift.

Selvarajah further explains the Bell Potter Guided Portfolio Service will create an automated Record of Advice (ROA) template and documents to send out to the client on behalf of the financial adviser.

"All of the administration effort, all of the trading effort, all of the portfolio monitoring effort and all of the reporting effort is done for the adviser and delivered to them through an automated solution," he says.

The point of difference

The new managed accounts service differs from other products in the market because clients' assets will be directly held rather than through a custodian.

This means each client will have an individual Holder Identification Number (HIN) and they'll have complete transparency and direct ownership of the assets, Selvarajah says. It will also allow advisers to fully customise the outcome for the client on an individual basis.

These features are also aiming to reduce several costs within an adviser's business. Selvarajah comes back to his point about global businesses searching for ways to increase their earnings margin.

"We're hoping to price this service at a very competitive rate and advisers can add their adviser service fee to the Guided Portfolio Service fee," he says.

"And advisers can package a solution to be competitive enough for them to provide to their clients without a lot of the effort to administer and run the product."

This said, the Guided Portfolio Service will also cap the brokerage cost and make this inclusive in the service fee. Selvarajah says the product aims to provide a fee level "which is all inclusive with certainty for the client."

What this all boils down to is Desktop Broker listening to advisers and helping them carry out the investment decision process in a cost-effective and efficient manner.

"We've proven in the market that we're innovative, well priced and our service is second to none. Use Desktop Broker to take your business to the next level and innovate and scale your business without the commensurate cost," Selvarajah says. **FS**



The quote

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