

HOW TO DELIVER BETTER INVESTMENT OUTCOMES USING MANAGED ACCOUNTS

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STEP 6



DEVELOPING BETTER INVESTMENT PROCESSES



MAP CLIENT NEEDS

To better understand how you will achieve their goals vs their risk attitude.



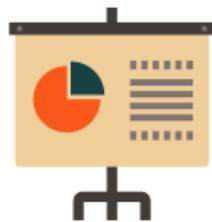
DEVELOP THE INVESTMENT PHILOSOPHY

What are your core beliefs of how to invest money. Articulate this well and will assist clients understand your value.



SET THE ASSET ALLOCATION

How will you balance risk vs return?
Use of Model Portfolios or other structures?
Which consultants do you need?



CONSTRUCT AND GOVERN PORTFOLIOS

Develop the Investment Committee
Select Managers and implement
Regular sector and manager reviews

HOW TO SELECT MANAGED ACCOUNT MANAGERS

Proven experience in managing SMA needed

SMA are high conviction

- 15 – 25 stocks across Aust. equities vs 50-80 stocks in a Fund

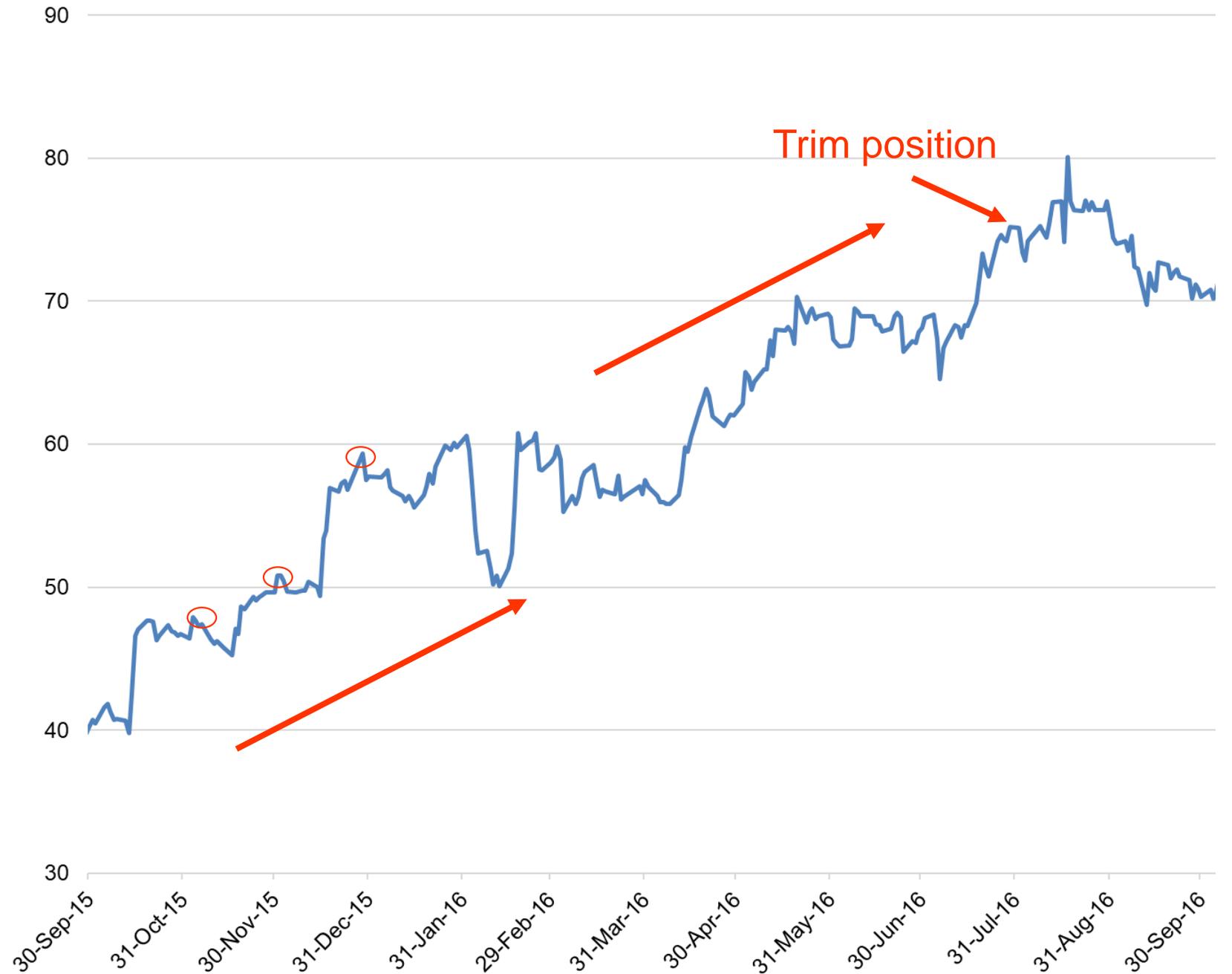
15-20
stocks

Money is put to work immediately

- Funds progressively invest monies coming in
- Every manager seeks stocks that grow and mostly that grow a lot



GROWTH STOCK (ASX50)



GROWTH STOCK (ASX50)





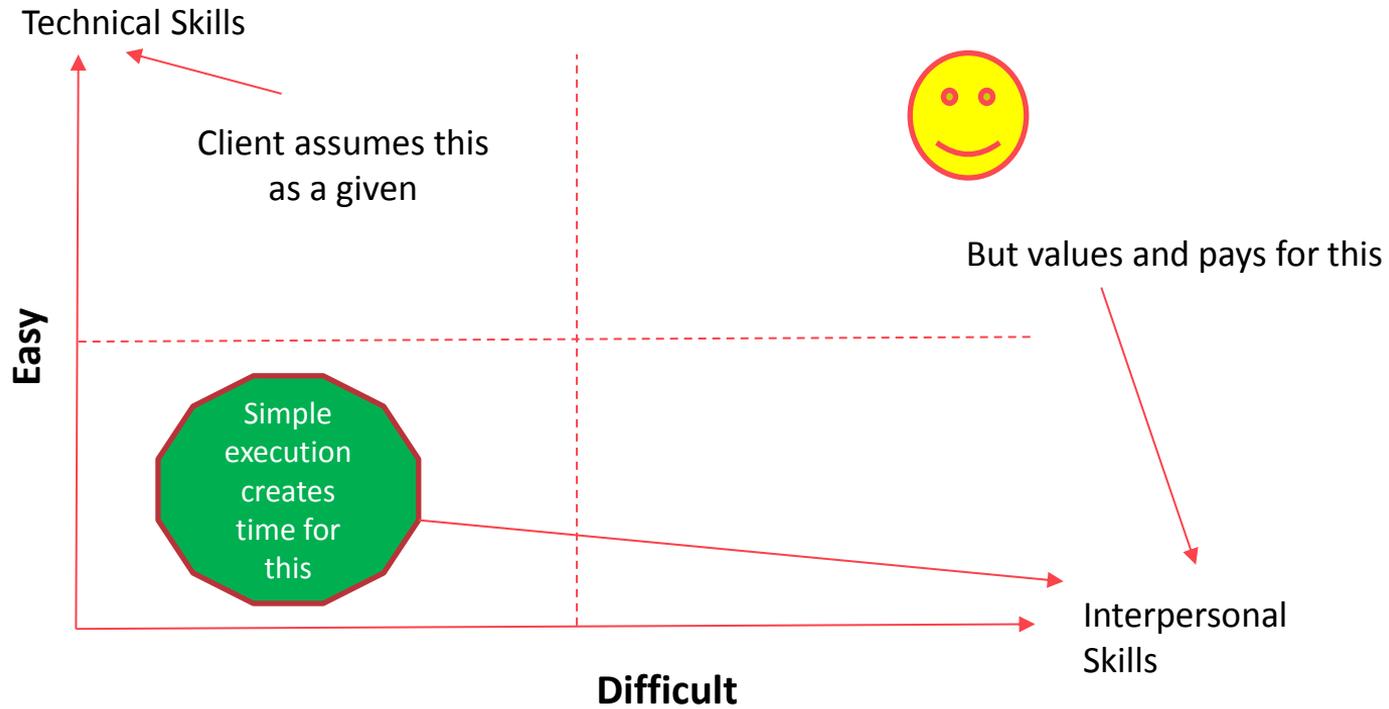
**STEP 6: HOW TO DELIVER BETTER
INVESTMENT OUTCOMES USING
MANAGED ACCOUNTS**

praescius
Future, meet insight.



Our job is “Uncertainty Reduction”





Managed Accounts contribute to uncertainty reduction only if you

THINK

Think about your advice process BEFORE you design the MA – too many Licensees' design the MA and then retro-fit it in to their advice discussion.

UNDERSTAND

Understand your internal capability and ability to resource the investment and governance functions.

ARTICULATE

Can clearly enunciate the value proposition of MA's to internal and external stakeholders
(i.e. how does it solve my problem?)

How we implement



Goals based solution

Portfolios designed with client goals at the core

1

Low Volatility Portfolio
(time horizon 2 to 5 years)

2

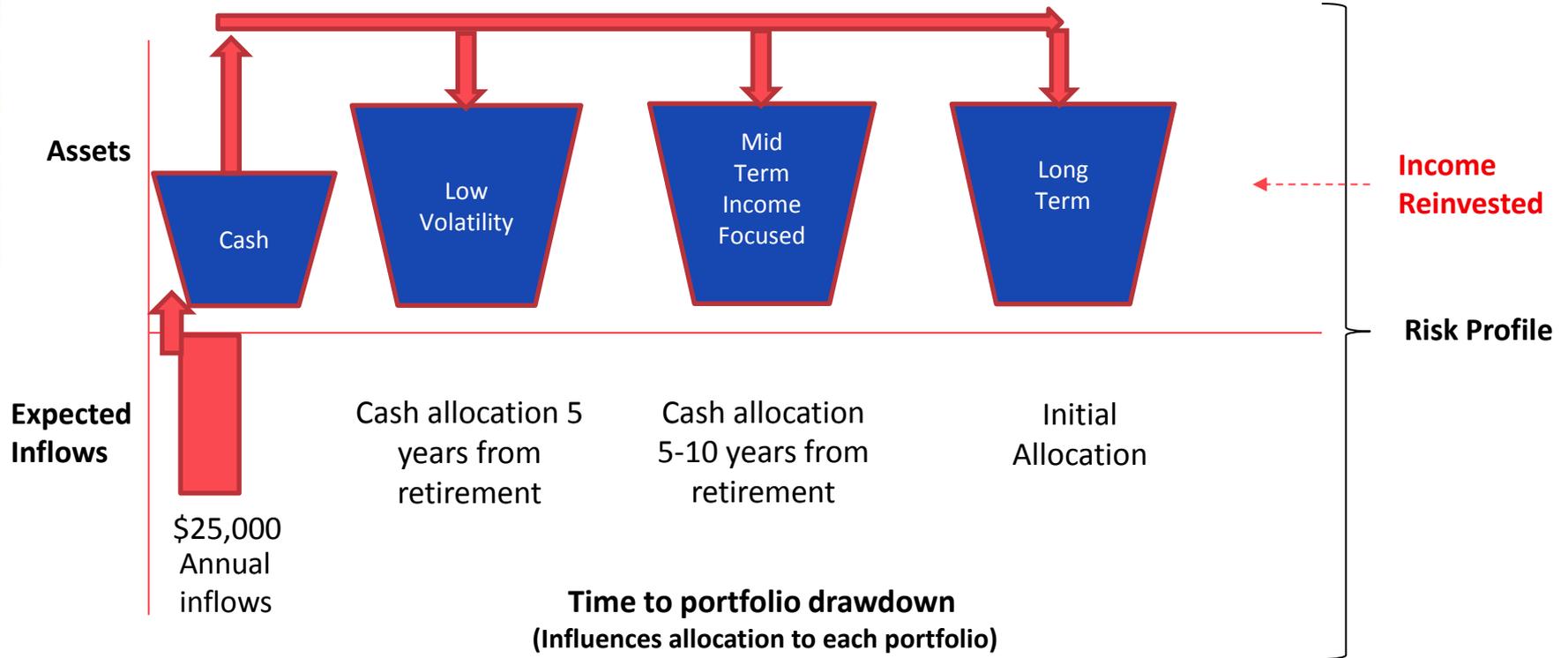
Mid-Term Income Portfolio
(time horizon 6 to 14 years)

3

Long-Term Portfolio
(time horizon 15 years plus)

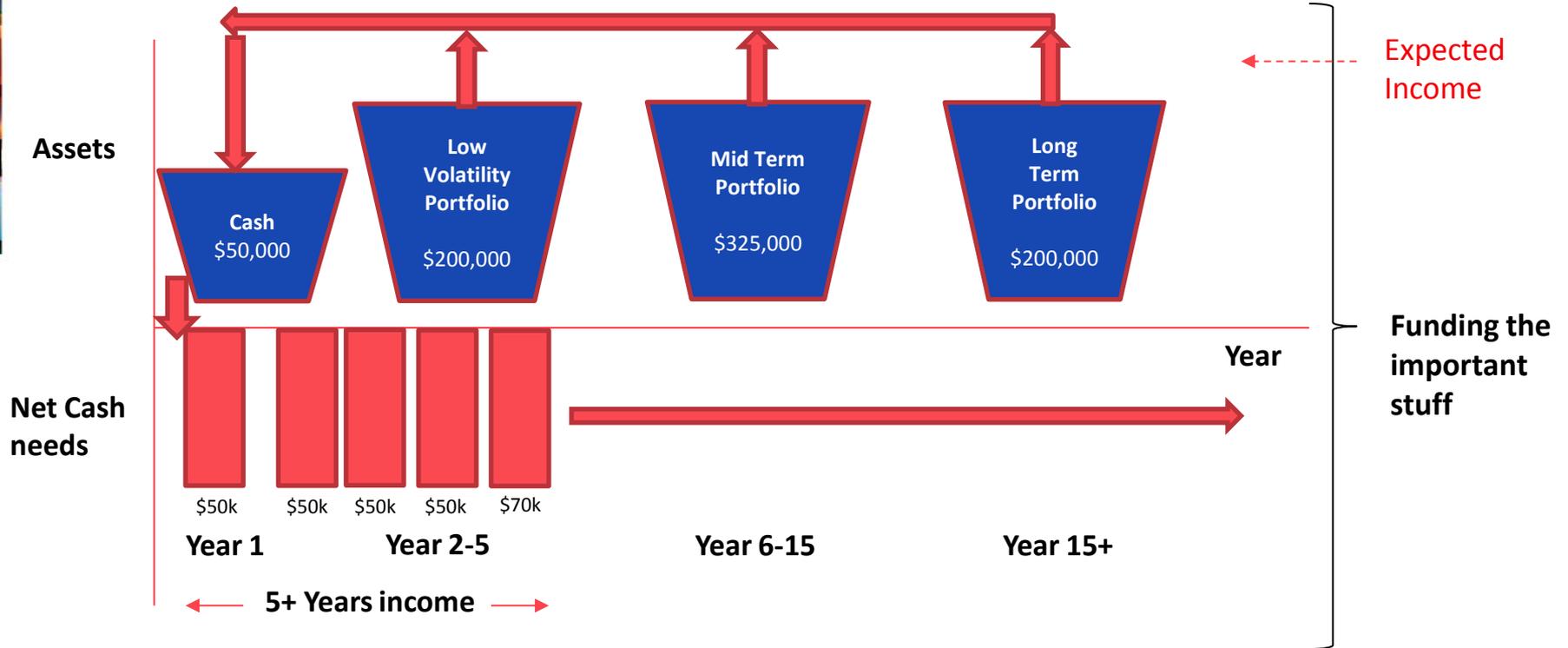
TFM's investment style is best suited to investors that have discussed their financial goals and objectives with a qualified financial planner, to determine whether they are appropriate and achievable.

Funds in accumulation example

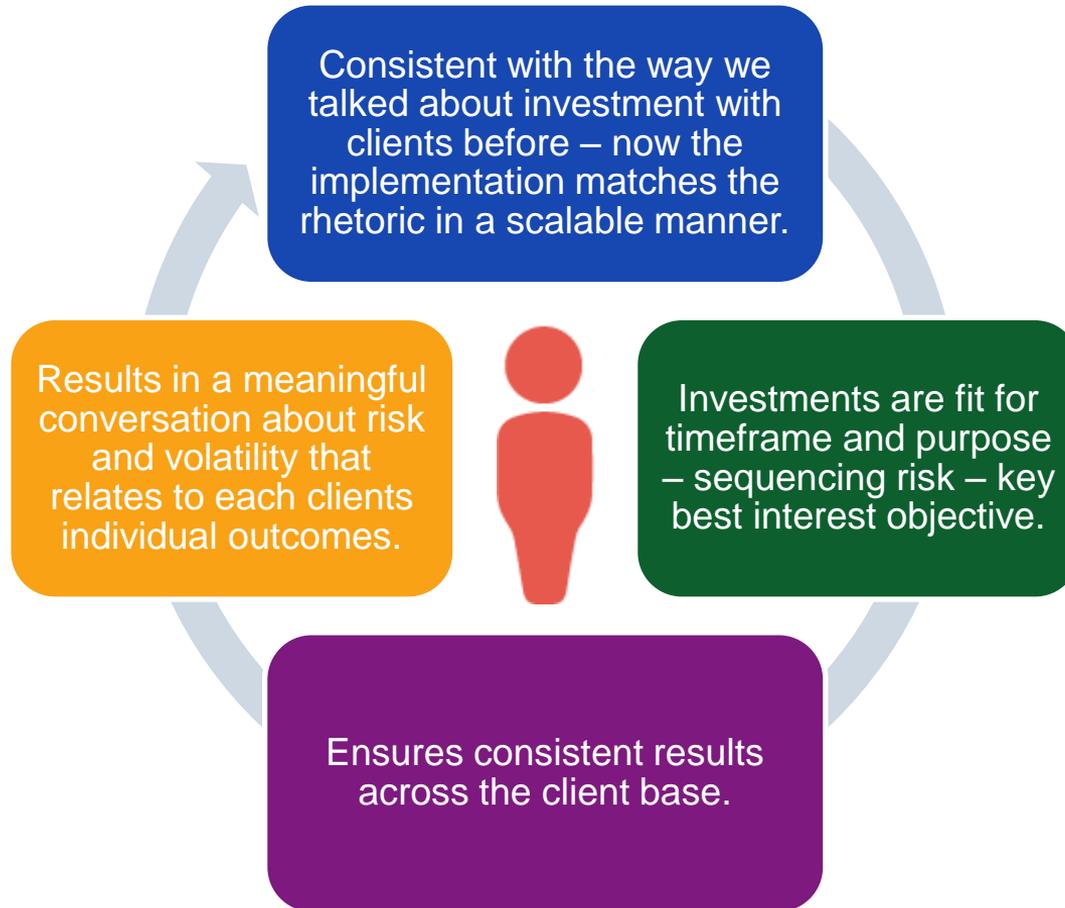


Funds in retirement example

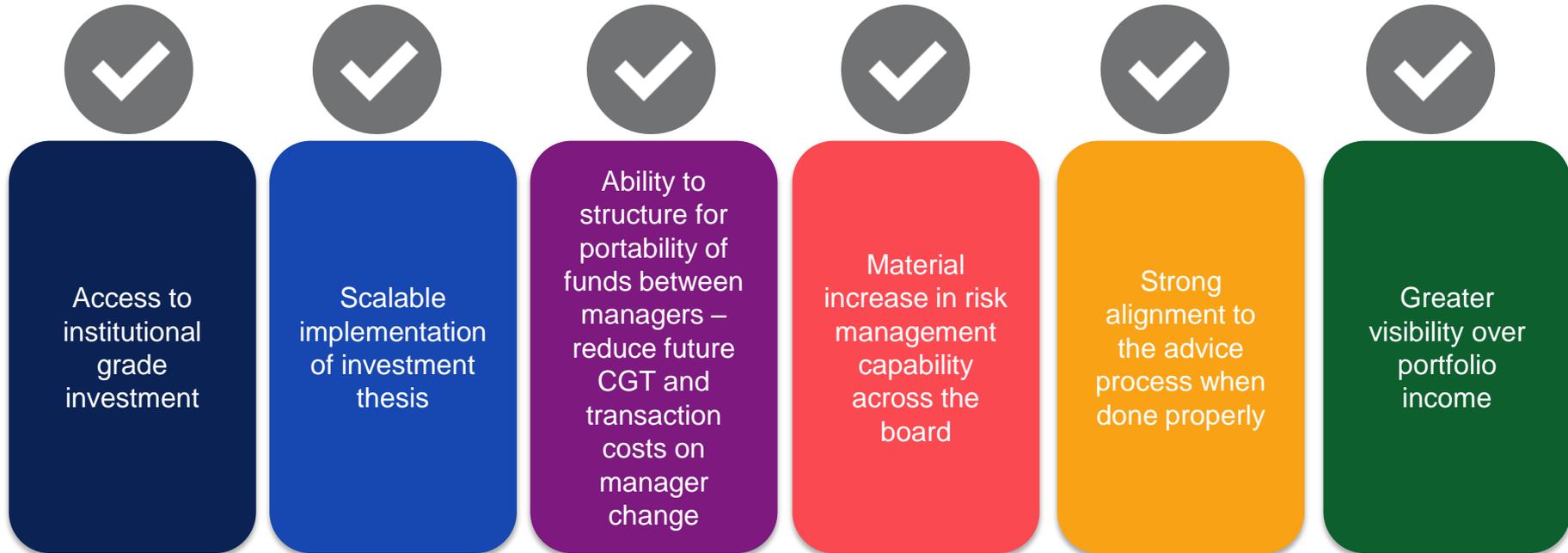
Capital = \$775,000



Each bucket



Communicating the “Why”



Understand clearly
the capability of your
MA provider and how
they approve,
implement, report
and make their
money.



Things to consider



Unitised versus
Direct – work out
where appropriate



Can they hold investments
in their original currency,
across all exchanges &
asset types? Are the
limitations important or just
nice to have?



Costs > headline admin fee.
Understand mandate fee, return
on cash, FX crossing,
transaction, Exit. Is income
reinvested or can it be paid out
to cash?



Does the reporting
support the advice
process?

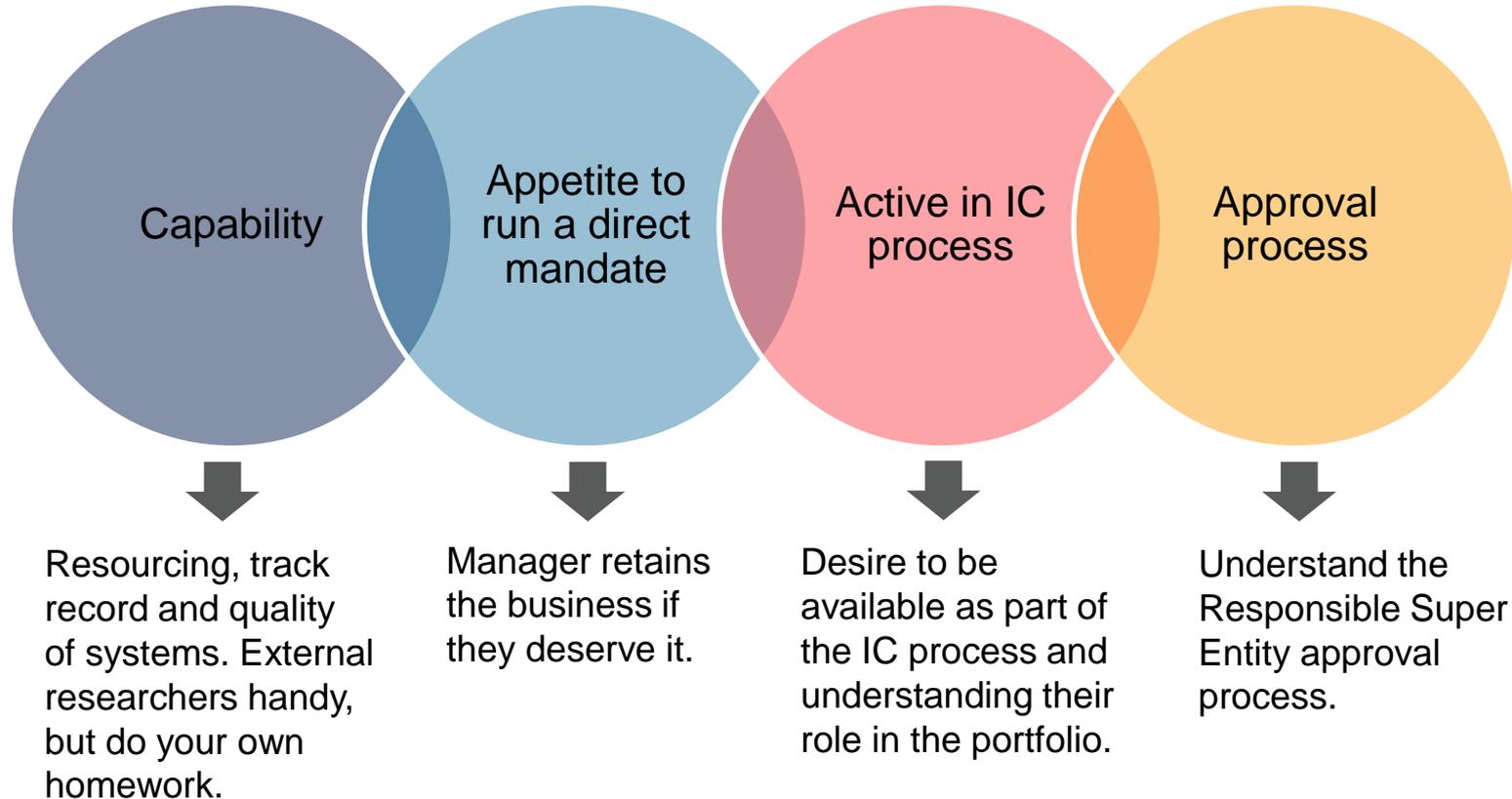


Can they provide IP that
supports the investment
governance & management
framework?

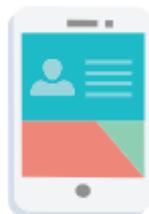


Do you have the ability to
provide a bespoke outcome if
the circumstances require it?

Manager Considerations



Conclusions



- MA's are a perfect example of how technology facilitates relationship
 - make sure you are clear on how this will integrate into your advice proposition.



- Communicate early and often to your advice team
 - Emphasise the client outcome and change the focus away from “this is what I do” towards “this is how we will support you in this change”.



- Understand the detail during Due Diligence
 - Ask yourself how a potential provider supports your advice process. Learn from the experience of others but treat promises of upcoming capability with the scepticism that they deserve.



Future, meet insight.