Past. Present. Future.

The evolution of managed accounts

From investment vehicle to private labels

Presented by
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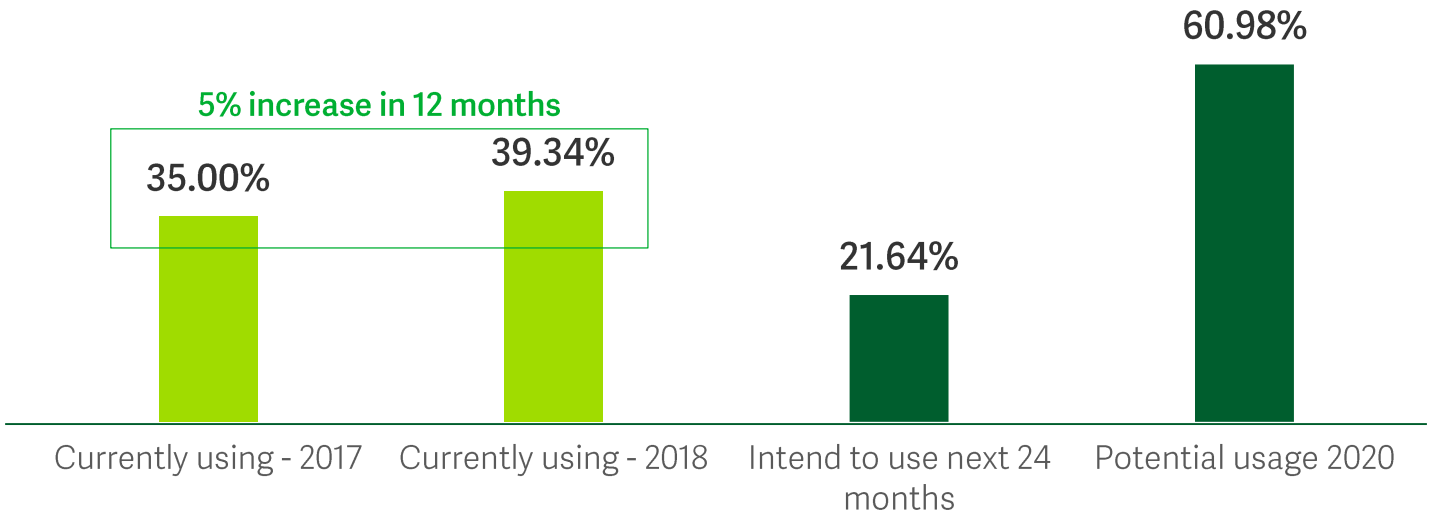
August 2018

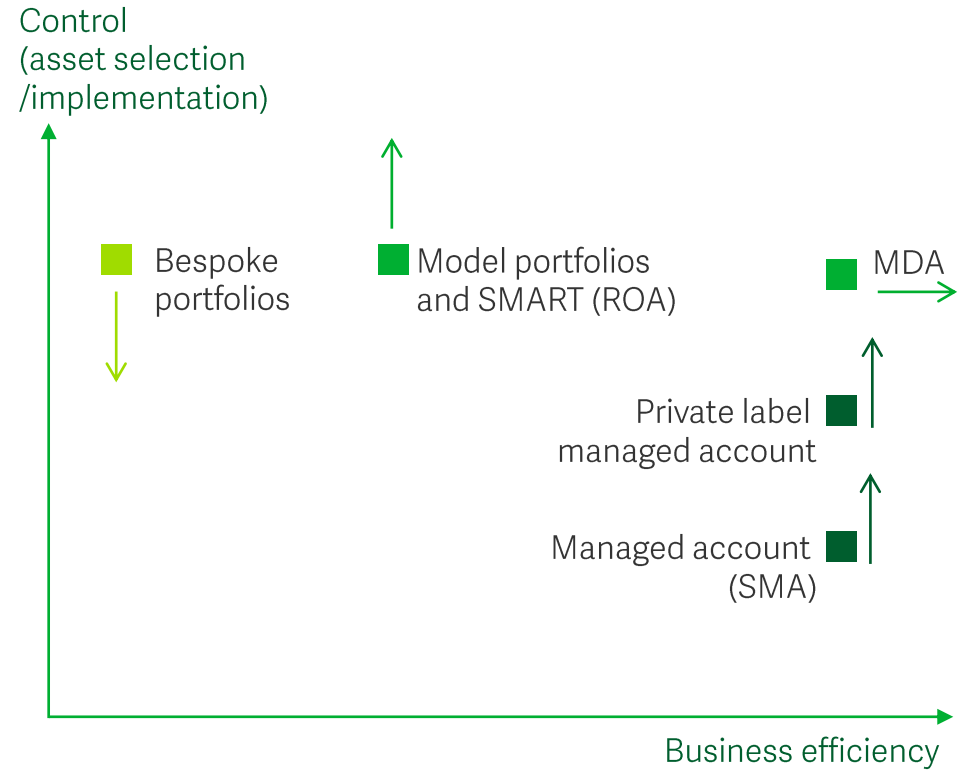
netwealth

mainstream AdviceTech

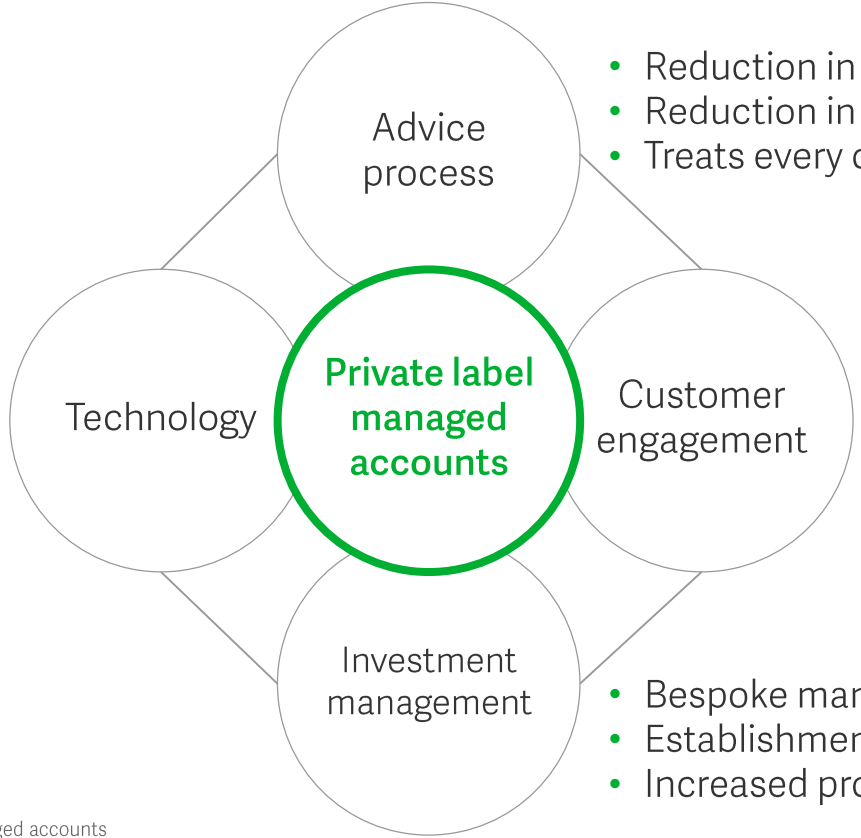
Managed account adoption by wealth practices
2018 Netwealth AdviceTech Report



evolution...


Control
(asset selection
/implementation)
Bespoke
portfolios
Model portfolios
and SMART (ROA)
MDA
Private label
managed account
Managed account
(SMA)
Business efficiency

business transformation



- Reduction in the need for ROAs
- Reduction in effort chasing up client
- Treats every client equitable

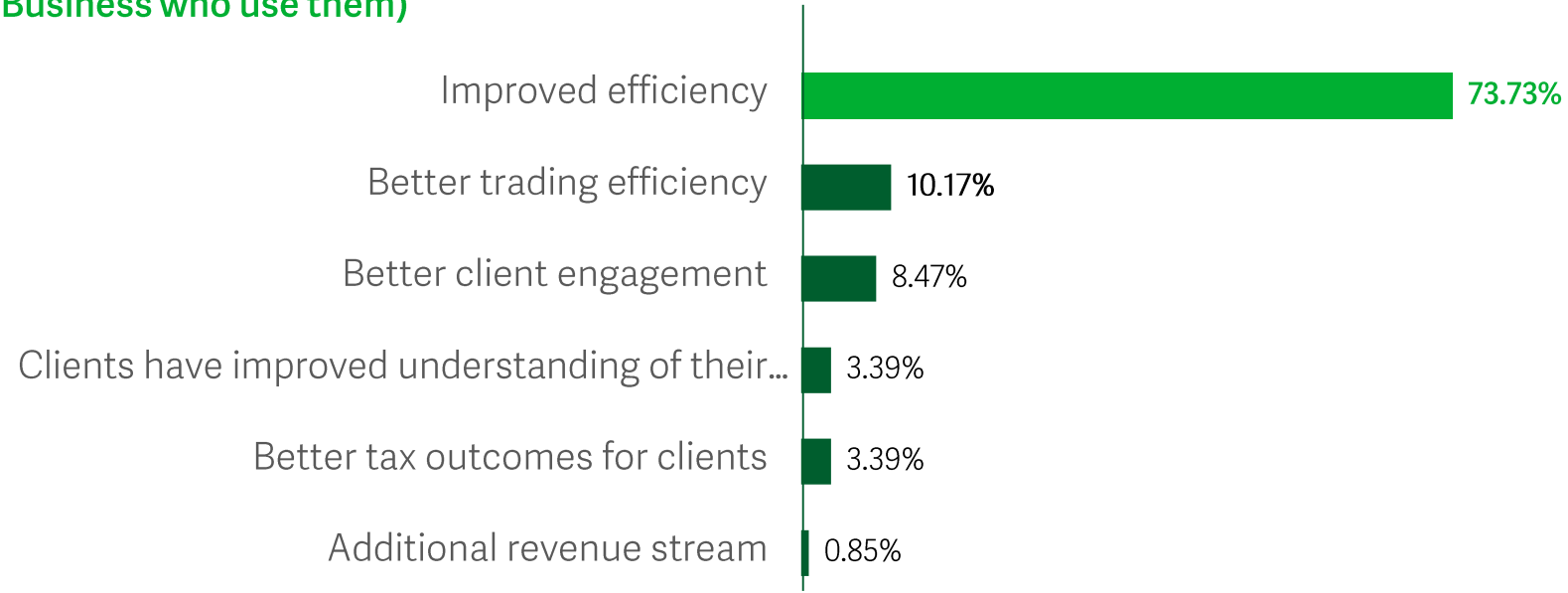
- Increased platform functionality and administration

- Investment transparency
- Changes to communication and education
- Appropriate for entire client base

- Bespoke managed account models
- Establishment of investment committee
- Increased process and governance

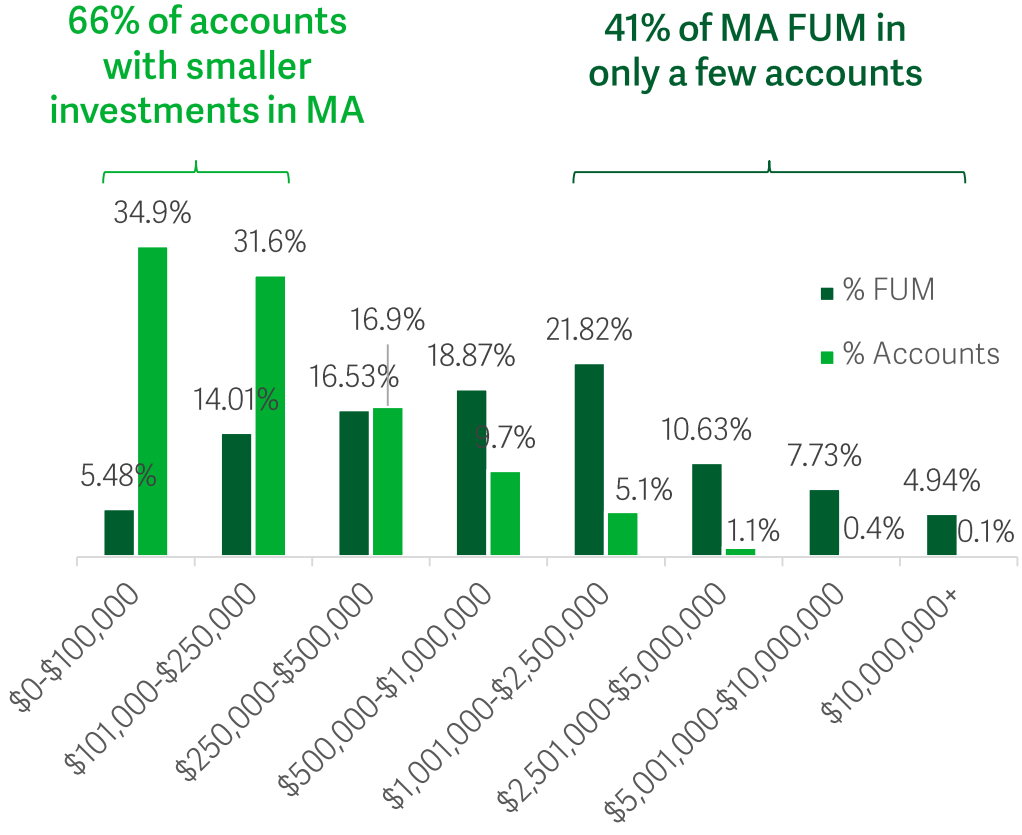
business benefits

What business benefits do you receive from managed accounts? (Business who use them)

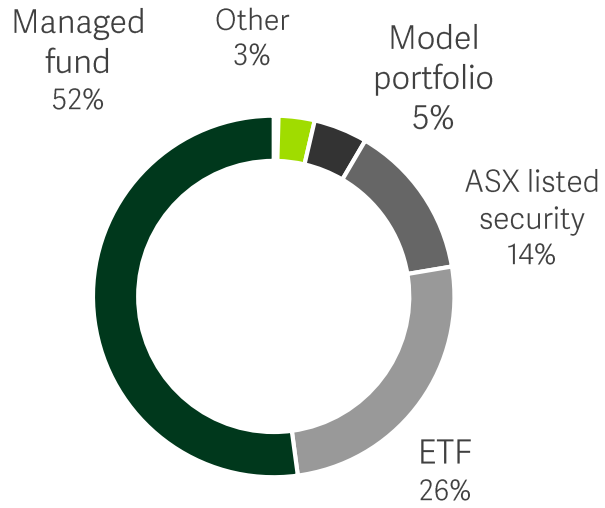


Netwealth AdviceTech Report, n = 118

Considerations...



87% invested managed funds & ETFs

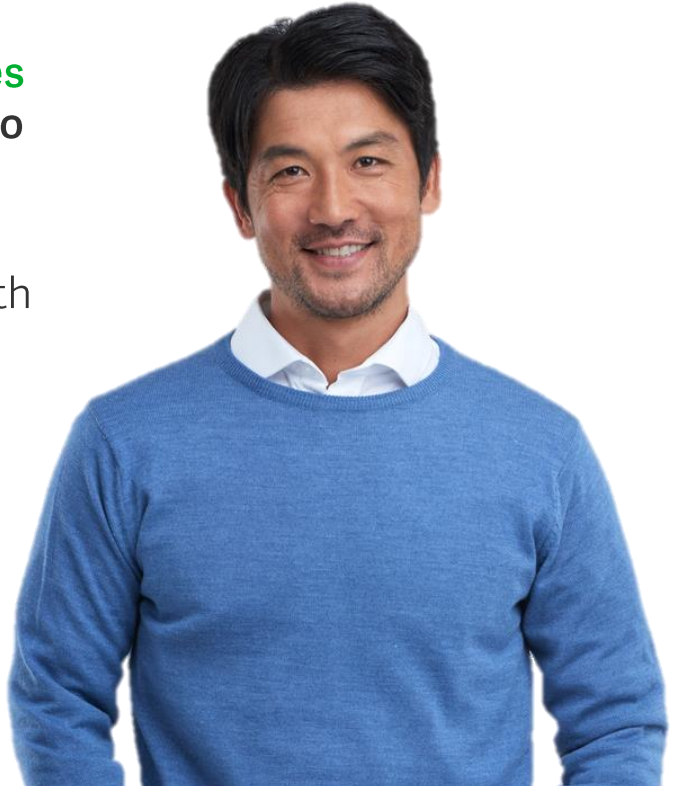


Source: Netwealth, 2018

capabilities you need

What investment management experiences do you have in-house? Do you need to outsource?

- 68% outsource model management: Netwealth
- Investment philosophy
- Experience
- Resources
- Focus and discipline
- Appropriate license



Does your tech partner have the managed accounts capabilities you need?

- Breadth in asset classes
- Model of models
  - 5: Avg. no. of risk based models: Netwealth
- Client customisations
- Sophisticated reporting
- Multi-fee management
- Efficient trading

parting thoughts...

- Have an agreed and articulated investment philosophy
- Develop a key requirements document
- Run a rigorous RFP process based on these key requirements
- Make sure you understand the competing options in depth
- Make sure what is being offered is a strong service partnership
- Take advisers on the journey

Introducing
Andrew Griffin
Private Wealth Adviser
Stanford Brown

Thank you.

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Our managed account journey

Andrew Griffin, Private Wealth Adviser | September 2018

Multi Asset Class Winner
2018 IMAP MANAGED ACCOUNT AWARDS

Licensee Managed Account Winner
2018 IMAP MANAGED ACCOUNT AWARDS

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Agenda

- Why did we adopt a Private Label Managed Account?
- The post-MA Client Service Offering
- What is the Lunar Managed Account?
- Some handy tips!

What problems needed to be addressed?

Speed

Administration

Consistency

Client Engagement

Why managed accounts – the benefits

- Far more proactive portfolio management
- A more equitable distribution of fees
- Significantly reduced administration
- Advisers can advise once again!
- A consistent portfolio offering

12 months later……

Our advisers reactions

Administration and paraplanning

A consistent, professionally managed investment offering

The reaction of our clients

The Lunar Managed Account

We have five models ….from Conservative to High Growth…and five more passive models to come shortly

They are managed by an Investment Committee of five

We have approx. 50% discretion to take less risk and half that to take more risk

We use a mix of ETFs, active managers and some direct investments

Our CVP is ‘fewer, shallower, shorter’

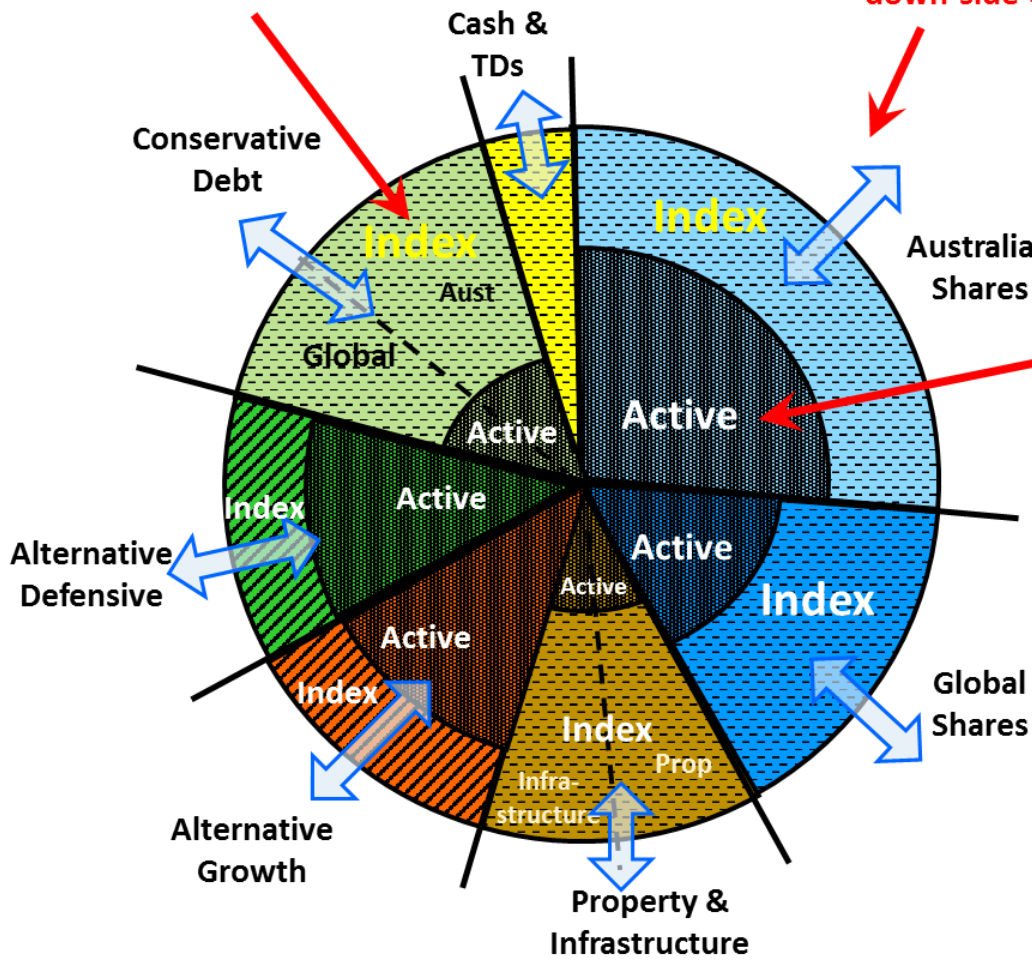
We add value through dynamic asset allocation, manager selection and quarterly rebalancing

1. Lower cost + lower tax - via use of low cost Index funds where / when active management adds little value

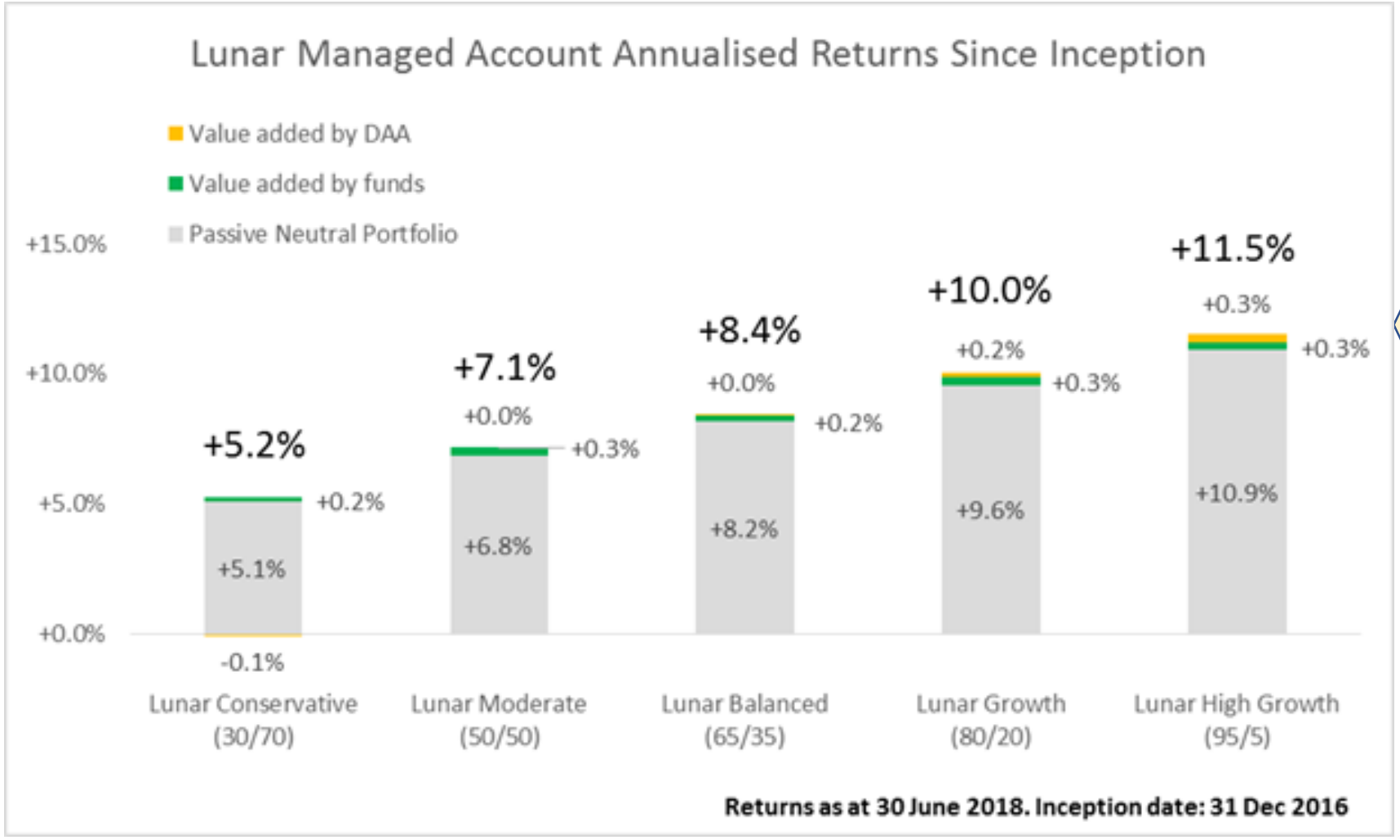
2. Dynamic Asset Allocation shifts ***between*** asset classes – to reduce down-side + increase returns

3. Superior fund/security selection ***within*** asset classes – to increase returns net of management fees

4. Quarterly adjustment & re-balancing – to reduce costs + increase asset allocation effectiveness



Lunar Model Portfolio Returns



Active portfolio management added between 0.1% and 0.6% (net of all fees)

- See next page

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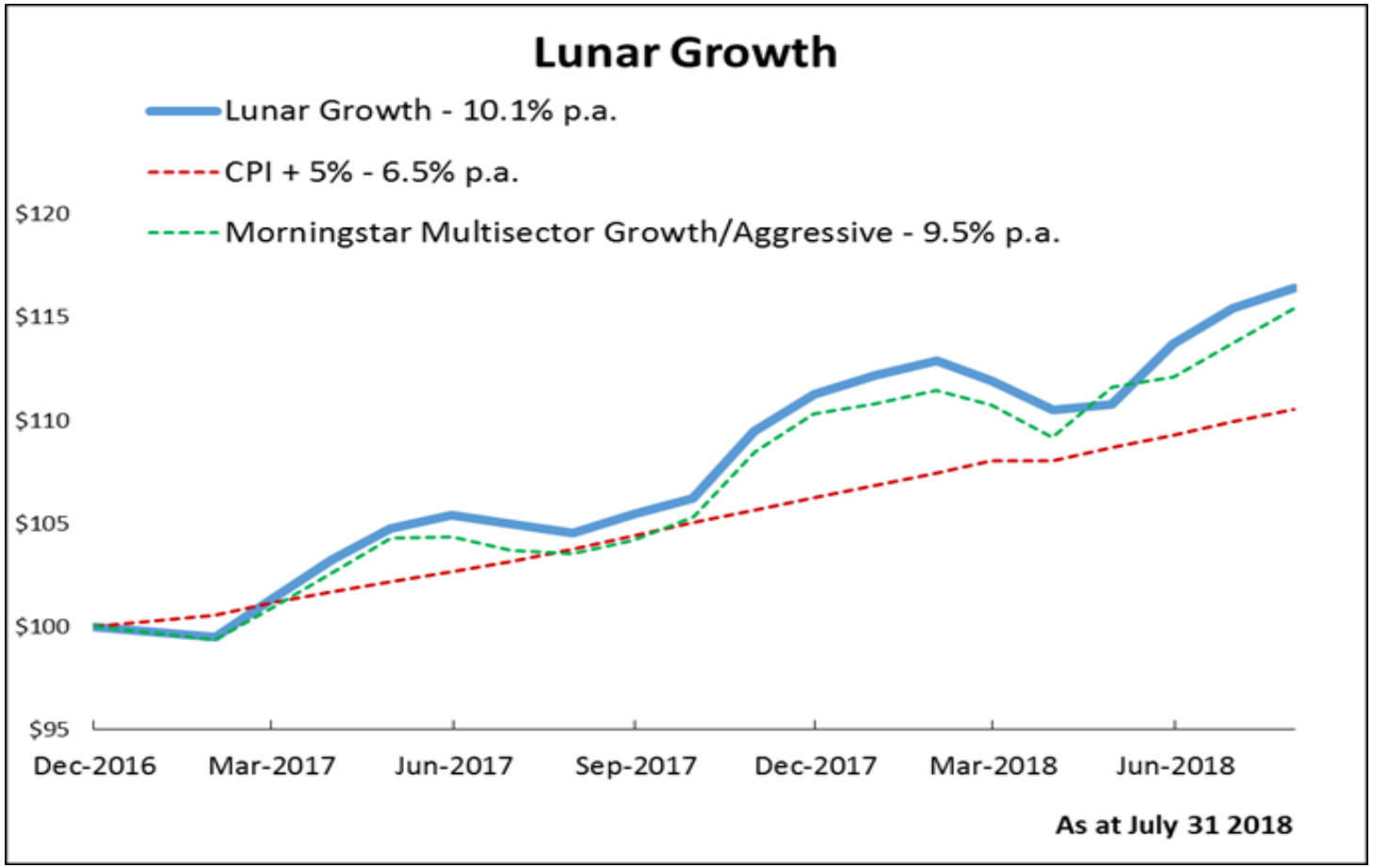
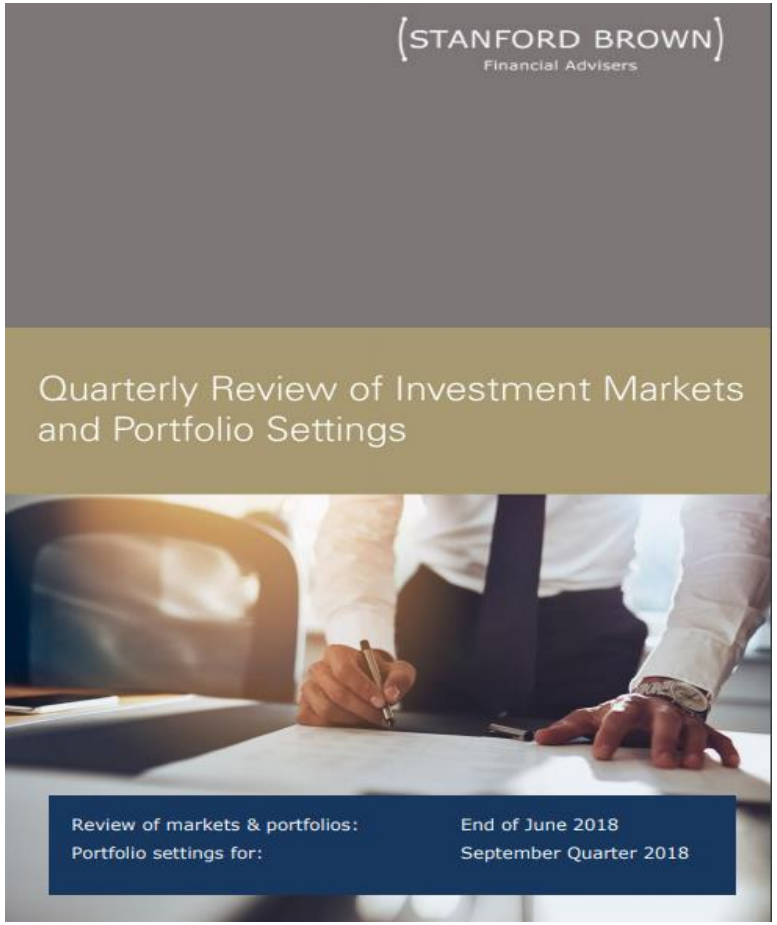
Transparent reporting





Practical Tips

- Research, research and then research some more
- Appoint an internal MA champion
- Trial and test
- Figure out whether you want to establish your own Investment Committee or to outsource
- If yes, then what is your Investment Philosophy?
- Position the switch to your clients and your team….for a long time!
- Don’t underestimate the resources you will need

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Multi Asset Class
Winner
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