

MANAGED ACCOUNT

# PERSPECTIVES

## SEVEN YEAR ITCH

PETER KELL AND THE CHALLENGES AHEAD  
FOR MANAGED ACCOUNTS

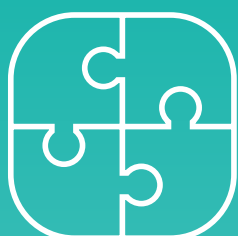
---

ALSO: INDUSTRY MEGATRENDS / IMPROVING CLIENT OUTCOMES /  
CONSTRUCTING MANAGED ACCOUNT PORTFOLIOS /  
BEST INTEREST DUTY / PRICING FOR VALUE



VOLUME 3 ISSUE 2 WINTER 2019

# Experts in portfolio construction and managed accounts



Lonsec's professionally managed model portfolios and managed account solutions let you quickly implement our best ideas while focusing on your clients' needs.



**1300 826 395**



**[info@lonsec.com.au](mailto:info@lonsec.com.au)**

# PERSPECTIVES

---

## REGULAR

- 4 CHAIR'S MESSAGE    11 INVESTMENT FORUM  
6 NEWS    40 EVENTS

## FEATURE

### 13 THE SEVEN YEAR ITCH

After seven years at the corporate regulator, **Peter Kell** talks about the challenges ahead for managed accounts and the financial services industry.

### 17 TOWARDS 2030: GET READY FOR THE MAGATRENDS

**Michael McQueen** analyses two of the eight megatrends that will dominate financial services and society in the coming decade.

### 22 THE NAKED PORTFOLIO

**Ben Coombs** looks at some of the key considerations to make when constructing managed account portfolios that deliver for both your business and your clients.

### 30 BEST INTERESTS DUTY: WHAT DO ADVISERS NEED TO THINK ABOUT?

In the wake of the Royal Commission's recommendations, **Simon Carrodus** takes a look at Best Interests Duty and how to manage them.

### 33 PRICING FOR VALUE

**Alan Kenny** and **Vincent O'Neill** discuss the tips and traps of value pricing in a business.

### 38 BETTER OUTCOMES FOR CLIENTS

**Toby Potter** outlines the benefits of introducing a managed accounts program and how, by doing so, they can lead to better outcomes for clients.



Managed Account Perspectives is the official publication of the Institute of Managed Account Professionals Ltd (ABN 57 125 794 274). IMAP was formed to act as the nexus in this increasingly important part of the advice profession. Our aim is to bring together advisers, managers, platforms and other managed account service providers to help build a better industry.

[www.imap.asn.au](http://www.imap.asn.au)

[contactus@imap.asn.au](mailto:contactus@imap.asn.au)

**Editor: Jayson Forrest**

M: +61 416 039 467

E: [jaysonjforrest@gmail.com](mailto:jaysonjforrest@gmail.com)

**Publisher: Toby Potter**

M: +61 414 443 236

E: [toby.potter@imap.asn.au](mailto:toby.potter@imap.asn.au)

---

Disclaimer: © Institute of Managed Account Professionals Ltd. All material published in Managed Account Perspectives is copyright. Reproduction in whole or part is prohibited without the written permission of the Publisher or Editor. Applications to use material should be made in writing and sent to the Publisher or Editor at the above email address. Material published in Managed Account Perspectives is of a general nature only and is not intended to be comprehensive nor does it constitute advice. The material should not be relied on without seeking independent professional advice and the Institute of Managed Account Professionals Ltd (IMAP) is not liable for any loss suffered in connection with the use of such material. Any views expressed in this publication are those of the individual author, except where they are specifically stated to be the views of IMAP. IMAP does not endorse any products or services advertised in the magazine. References or web links to products or services do not constitute endorsement. Managed Account Perspectives is the official publication of the Institute of Managed Account Professionals Ltd.



## ARE WE HEADING BACK TO THE FUTURE?

Is there a future for licensee-based managed account programs?

- ▶ The Hayne Royal Commission didn't ban vertical integration but it continues to be widely questioned.
- ▶ The growth in managed accounts slowed to a trickle by December 2018.
- ▶ Attendance at Best Interest Duty events is at an all time high.

Are these signs that the growth in the use in managed accounts has come to an end?

Are we going to see a return to the old days where every piece of advice is created as a 'one off' and every recommendation is a matter of personal risk for advisers?

Are we heading back to the 'pre industrial' version of advice where there are few economies of scale, increasingly questionable economic models and high variability in outcomes for clients.

Well, no actually.

The business models which survive will be those which are able to deliver high quality service to investors that meets their individual needs and yet does so in a compliant and efficient manner.

Managed accounts will be central to these business models because only the improved processes which they embed, will be able to meet the requirements that will be imposed on advisers and their licensees.

Which business models will be sustainable in the future?

Clearly, there will be a number of business models that will be sustainable for advisers.

**Smaller businesses** dependent on the business principals for finding and servicing investors. Many will band together to own their licence. For this group, managed accounts will be central to being able to effectively implement recommendations for many clients and to offer a service that enhances the adviser's positioning as a specialist.

**Accounting-based advisers** will continue to meet a need for a comprehensive service. With many self-employed and wealthier clients with more complex circumstances, technology that enables the portfolio to accommodate each client's circumstances will be important.

**Institutions** will continue to be involved in advice and will likely use salaried advisers as part of their product distribution strategy.

Managed account products, particularly SMAs, will be one of a suite of products they will continue to offer.

**Licence providers**, who support self-licensed firms, already see managed accounts as an important tool in the array of services they provide, in addition to compliance, education and other support.

Clearly, the form of managed account that will suit each of these segments will vary, and that's part of the beauty of managed accounts. The structure, both legal and investment, is sufficiently flexible to fit in with a range of business models.

However, while advice business models will need the functionality that managed accounts provide, will the regulatory regime that we operate under, allow it?

In our view, it will.

With conflicted remuneration banned and a quite proper focus required by the regulator on managing conflicts of interest, nonetheless, managed account structures will enable advice firms to meet both their own and, more importantly, their clients' objectives.

**Toby Potter**  
Chair

---

BetaShares Global Quality Leaders ETF

# FOR GLOBAL INVESTMENTS QUALITY MATTERS. INVEST IN QLTY.

BetaShares Global Quality Leaders ETF (**ASX: QLTY**) is a cost-effective index fund that invests in a diverse portfolio of 150 of the world's highest quality companies.

**Quality companies. QLTY performance.**

|                  | QLTY's Index* | Global Shares* |
|------------------|---------------|----------------|
| 1 Year (%)       | 19.0%         | 14.3%          |
| 3 Years (% p.a.) | 18.3%         | 14.5%          |
| 5 Years (% p.a.) | 18.1%         | 13.6%          |

As at April 2019. Past performance is not indicative of future returns.

**Invest in QLTY just like any share on the ASX.  
LEARN MORE AT [WWW.BETASHARES.COM.AU](http://WWW.BETASHARES.COM.AU)**



## 2019 IMAP AWARDS: WINNERS AND FINALISTS

The finalists for the 2019 IMAP Managed Account Awards have been announced, with the winners to be revealed at a gala event in Sydney on 25 June.

The awards cover both single sector asset classes and multi asset class programs, which generally have a range of risk profiles or other goal based objectives.

In addition, there is an award specifically for managed account programs offered by advice firms that are integrated into the advice process, as well as an award for innovation, which in the judges' opinion, advances the development of managed accounts.

"Managed accounts are becoming a significant part of the advice profession, with many managers and licensees now offering portfolios. The managed account programs that are offered by advice firms are an important development that we want to recognise," said IMAP Chair, Toby Potter.

"We want the IMAP Managed Account Awards to be a recognition of practice excellence among advice firms. The managed account programs they offer are operated largely out-of-sight and the best are well resourced, carefully thought through, have a clear investment philosophy, with decent track records. They deserve to be recognised."

Now in its second year, the awards are judged across seven categories:

- ▶ Australian equities;
- ▶ Australian equities small cap;
- ▶ International equities;
- ▶ Multi Asset Class;
- ▶ Australian Fixed Interest;
- ▶ Licensee Managed Account; and
- ▶ Innovation.

The 2019 IMAP Managed Account Awards finalists are:

### AUSTRALIAN EQUITIES

- ▶ Antares Equities
- ▶ Blackmore Capital
- ▶ Elston Asset Management – **WINNER**
- ▶ Perpetual Private
- ▶ Watershed Funds Management
- ▶ DNR Capital

### AUSTRALIAN EQUITIES SMALL CAP

- ▶ Macquarie Investment Management – **WINNER**
- ▶ Watershed Funds Management
- ▶ Infinity Asset Management
- ▶ Pearl Funds Management

### INTERNATIONAL EQUITIES

- ▶ Loftus Peak
- ▶ Nucleus Wealth
- ▶ Pearl Funds Management
- ▶ Private Portfolio Managers
- ▶ Royston Capital
- ▶ Watershed Funds Management – **WINNER**

**MULTI ASSET CLASS**

- ▶ Canaccord
- ▶ Infinity Asset Management
- ▶ Resonant
- ▶ Shaw and Partners
- ▶ Soteria Capital – **WINNER**
- ▶ Watershed Funds Management

**AUSTRALIAN FIXED INTEREST**

- ▶ JB Were
- ▶ Mason Stevens
- ▶ Prime Financial Group
- ▶ Real Asset Management – **WINNER**
- ▶ Royston Capital

**LICENSEE MANAGED ACCOUNT**

- ▶ Canaccord
- ▶ Crystal Wealth
- ▶ Prime Financial Group
- ▶ Royston Capital
- ▶ Stanford Brown
- ▶ Viridian Advisory – **WINNER**

**INNOVATION**

- ▶ BTFG
- ▶ Investum
- ▶ JB Were
- ▶ Nucleus Wealth
- ▶ Praemium – **WINNER**
- ▶ Resonant

The awards are selected by a panel of experienced investment professionals, including: Dominic McCormick, Angela Ashton, Nigel Douglas, Brad Matthews, Paul Saliba, Mark Oliver and Stuart Alsop.

According to Potter, the judges have a deep understanding of the portfolio construction and investment selection process, through their experience on investment committees, in running managed accounts and fund portfolios, and through their hands-on involvement in the development of managed account portfolios.

**JUDGING CRITERIA**

In terms of the judging criteria for these awards, the portfolio needed to be offered through a managed account structure with the following features:

- ▶ Recognised legal structure – registered MIS, MDA, IDPS-like, IDPS model.
- ▶ Investments directly held by or on behalf of each investor, i.e. not a pooled structure.

- ▶ Model based.

- ▶ Clear discretion held by the portfolio or investment manager.

Importantly, the portfolio also needed to have a clear objective and a benchmark.

For the **ASSET CLASS** portfolios, the judges took into account:

- ▶ Performance over time periods of one and three years;
- ▶ Risk measures, including standard deviation and Sharpe ratio;
- ▶ Weighted average cost of investment, both directly and considering the underlying investments; and
- ▶ Qualitative criteria, including the resources available to the portfolio management organisation and the structure.

For the **LICENSEE MANAGED ACCOUNT** category, the criteria applied to single sector portfolios, with the judges also considering:

- ▶ The investment committee structure and resourcing;
- ▶ The way in which the portfolios reflected the advice firm's investment philosophy and appeared to be integrated with it;
- ▶ How the managed account service fitted with the client proposition; and
- ▶ Supporting materials, in particular, the client and adviser communications about portfolio management and portfolio changes.

The **INNOVATION AWARD** category recognised those activities that had been designed to improve the:

- ▶ Operation and process of managed accounts;
- ▶ Adoption by advisers and licensees;
- ▶ Investment options;
- ▶ Technology used to support managed accounts; and
- ▶ Other functions the judges thought were worthy of recognition.

Each category award winner will be invited to present at the annual IMAP Portfolio Management Conferences in August and October this year. The winners will share their insights on what makes their approach to managed accounts so successful.

For more information on the IMAP Managed Account Awards presentation, go to: [imap.asn.au/imap-awards-2019](http://imap.asn.au/imap-awards-2019).



© Kurt Kleemann - stock.adobe.com



Wade Matterson

## MANAGED ACCOUNT FUM STEADY

For the six months to 31 December 2018, funds under management (FUM) in managed accounts was \$62.12 billion, which is slightly down by 0.5 per cent (or \$0.32 billion) on the FUM for the previous six months of \$62.43 billion.

However, bucking this trend, the net funds inflow from 1 July 2018 to 31 December 2018 was a healthy \$2.49 billion or a 4 per cent increase on total FUM.

These were two of the key findings coming from the bi-annual *Managed Accounts FUM Census*.

Commenting on the findings, the Institute of Managed Account Professionals (IMAP) Chair, Toby Potter, said overall, the result was encouraging, given the dual headwinds of the extensive uncertainty that was evident over the July to December 2018 period. He said the uncertainty was chiefly driven by the likely recommendations of the Hayne Royal Commission and the volatile market conditions during the six month reporting period.

"The census returns tell us that very few investors became worried by the market volatility and other news. The vast majority of investors clearly had a good understanding of their investment strategy, and that they are working

closely with their investment adviser to maintain their strategy to achieve their long-term goals," Potter said. "This speaks volumes for the 'value added' service provided by financial advisers to their clients."

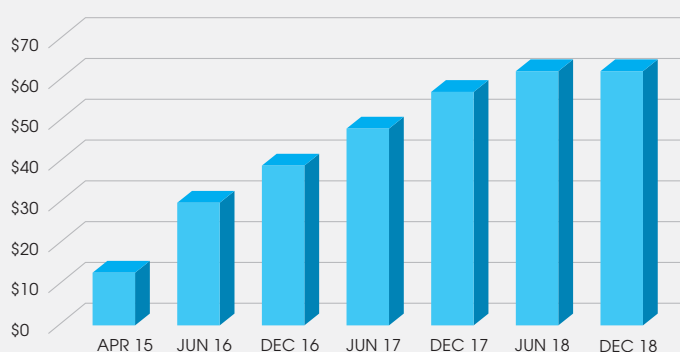
The *Managed Account FUM Census* is a bi-annual study of the FUM invested through the main forms of managed accounts, including SMA, MDA and IDPS-like services. The survey is conducted by IMAP in conjunction with global actuarial firm, Milliman.

In addressing the results, Milliman (Australia) practice leader, Wade Matterson said the volatility in investment markets in the last half of 2018 was highlighted by the value of the ASX/S&P 200 Accumulation Index decreasing by -6.83 per cent over the six month period.

Forty-three companies participated in the latest *Managed Accounts FUM Census*. This included reporting for one new entity and the reduction of one entity, as industry consolidation onto the large platforms continues. Survey participants range from the very large (major platforms and banks) and MDA providers, to individual licensees that largely operate their service internally.

"We know there are a number of MDA providers who are not yet participating in the IMAP FUM Census and we strongly encourage those organisations to get involved with IMAP's Census," Potter said.

### GROWTH IN MANAGED ACCOUNTS FUNDS UNDER MANAGEMENT FROM 2015 TO 2019 (\$ BILLIONS)



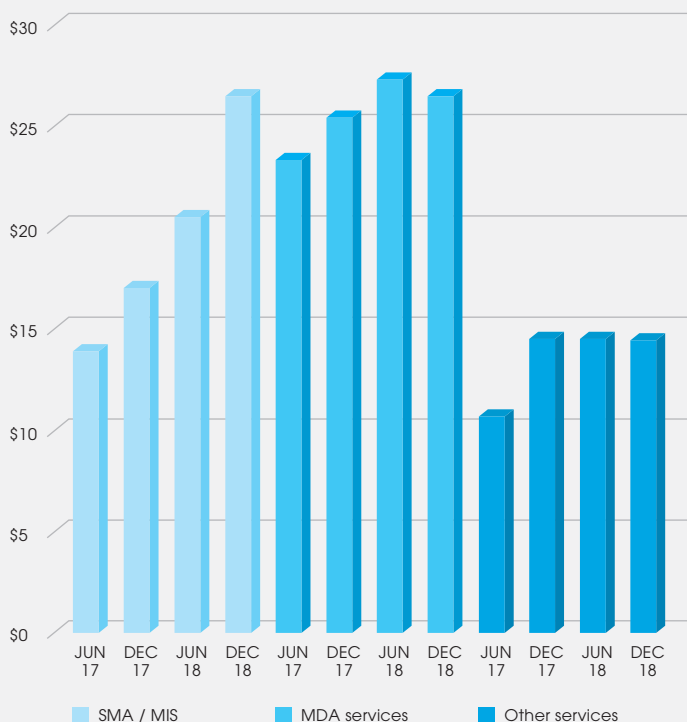
### MANAGED ACCOUNT FUM - 31 DECEMBER 2018

| Managed Account category | 31 Dec 2018 (\$ billions) | 30 June 2018 (\$ billions) | Increase/Decrease (\$ billions) Jun to Dec 2018 | Increase/Decrease (%) Jun to Dec 2018 |
|--------------------------|---------------------------|----------------------------|---|---------------------------------------|
| SMA/MIS                  | \$21.15                   | \$20.55                    | \$0.60  | 2.9%                                  |
| MDA services             | \$26.52                   | \$27.34                    | (\$0.82)  | -3.0%                                 |
| Other services           | \$14.45                   | \$14.54                    | (\$0.09)  | -0.6%                                 |
| Total                    | \$62.12                   | \$62.43                    | (\$0.31)  | -0.7%                                 |

Source: IMAP/Milliman *Managed Accounts FUM Census* – 31 December 2018.

## CHART SHOWING FUM GROWTH BY CATEGORY OF MANAGED ACCOUNTS (\$ BILLIONS)

Note the IMAP FUM Census is carried out every six months



## CONSUMER EDUCATION STILL LACKING WITH MANAGED ACCOUNTS

While the number of financial planners recommending managed accounts almost doubling in the last five years, more than 80 per cent of potential users (consumers) say they have only basic or no understanding of the solution.

This was one of the key findings of the SPDR ETFs/Investment Trends report.

According to the study, the rapid uptake of managed accounts in the previous five years is set to continue. Together with the 35 per cent of planners who recommended managed accounts – up from 30 per cent in 2018 – another 31 per cent of planners intend to introduce managed accounts in the near future. However, 40 per cent of these potential users note that client education is one of the main barriers to entry.

“The number of planners recommending managed accounts reached the highest level ever in 2019 and there remains many more who are interested in this solution,” said Meaghan Victor, Head of SPDR ETFs, Australia and Singapore.

“These potential users have a strong appetite to build their understanding further, as they want to tap into the tangible benefits reported by current users. These include improved investment performance, transparency, enhanced client engagement, cost effectiveness and less administration.”

Referring to the study, Michael Blomfield, Chief Executive Officer of Investment Trends Australia, said: “Those who use managed accounts recognise a wide range of client benefits. More than half believe transparency is the key attraction for clients and 30 per cent report that following the implementation of managed accounts, investment returns achieved by their clients has increased. This is accompanied by 44 per cent of users saying client engagement has increased.”

The survey also showed that 49 per cent of planners using managed accounts reported a reduction in time spent on administration and compliance.

Victor added: “Compliance continues to play a central role in a planner’s choice of the managed accounts structure. The changes currently experienced by the industry, including regulatory changes, support the widespread adoption of Separately Managed Accounts (SMA) by planners. In fact, 51 per cent of planners say they chose to employ SMAs because of the lower perceived compliance requirements.”

The research found that SMAs are favoured by the local planner community, with 68 per cent of planners currently utilising SMAs on platform.

In addition, 76 per cent of planners using an in-house Managed Discretionary Account (MDA) chose this structure because of the associated flexibility and control it could offer.

“Managed accounts are fast becoming recognised as a valuable tool; with 80 per cent of planners who use managed accounts directing new business to these products in the last year. Those who recommend managed accounts say 31 per cent of their funds under advice are currently in this product solution, and on average, they expect this to grow to 52 per cent by 2022,” Victor said.

The State Street Global Advisors SPDR ETFs/Investment Trends 2019 Managed Accounts Report is based on an online survey of 760 financial planners conducted between 3 December 2018 and 1 February 2019.



© metamorworks - stock.adobe.com



Brett Sanders

## PROVIDER COLLABORATES TO TAILOR MDA SERVICES

Philo Capital Advisers has gone live with a managed discretionary account (MDA) service specifically tailored for the needs of Melbourne-based advisory business, Strategic Wealth.

Philo Capital Advisers is a third party MDA provider that works with advice businesses to co-design and implement MDA services based on the adviser's existing platform relationships.

According to Philo Capital Advisers CEO Brett Sanders, the variation to existing managed account service models is that Philo is neither the model portfolio manager, nor the platform provider. Instead, Philo works in collaboration with the advisory firm to identify a preferred portfolio manager and to deliver a service with the advice firm's favoured investment platform.

The MDA service designed for Strategic Wealth features BT Panorama as the platform provider, JANA Investment Advisers as the investment consultant and Antares as the direct equity model manager.

"We are very excited about the benefits this service will deliver to our clients," says Strategic Wealth managing

“

Other advice groups we are working with have different investment beliefs or goals, and their services vary accordingly.

– BRETT SANDERS

”

director, Peter Wilson. "Strategic Wealth is able to provide access to leading investment expertise to manage the model portfolios and the MDA structure allows client portfolios to be rebalanced regularly, quickly and equitably.

"BT Panorama provides 24-hour reporting on client-friendly desktop and smartphone apps. Philo's MDA service is cost competitive, and clients also enjoy the benefit of having any investment manager fee rebates passed on to them in full. Strategic Wealth has chosen to be solely remunerated through advice fees – we do not share in the MDA revenue. All up, we think this is an outstanding offer for clients."

In explaining the flexibility of the Philo structure, Sanders said Strategic Wealth wanted to have access to a service that was consistent with its investment philosophy, represented value for money and provided a first class client experience.

"Through a very constructive collaboration with Strategic Wealth, BT Panorama, JANA Investment Advisers and Antares, we believe this goal has been achieved. Other advice groups we are working with have different investment beliefs or goals, and their services vary accordingly. For example, they may choose to work with different consultants or have a different number of portfolios," Sanders said.

Zac Leman, the Head of Managed Accounts at BT, noted that BT had invested in functionality to support MDA providers.

"We have developed functionality on BT Panorama specifically to support MDA providers, as well as creating implementation support teams that work closely with third party MDA providers, like Philo," he said.

"Through these collaborations, advice groups have access to a contemporary platform and experts in tailored managed account design to help them build solutions to suit their business and provide a unique investment offer to their clients."

*Disclosure of interest: IMAP Chair Toby Potter is a shareholder in Philo Capital Advisers.*



## Selecting an SMA manager: What's in it for you and your client?

**W**hen it comes to SMAs, clients are typically looking for four things: performance, consistency of returns, transparency of their investment portfolio, and tax-effective returns that offer high yield and capital growth.

This was the view of Andrew Stanley – Head of Australian Equities at Ralton Asset Management – who believed SMAs offered all the key benefits investors were looking for in an investment vehicle.

Speaking at the IMAP Investment Forum in April, Stanley said SMA structures were superior in many ways to other traditional investment platforms, like managed funds and direct share portfolios, because they ticked more key investor benefits boxes. These include:

- ▶ Professional management;
- ▶ Transparency;

- ▶ Direct ownership of assets;
- ▶ Portability of shares (without triggering CGT);
- ▶ Tax advantages of ownership (no inheritance of capital gains from others);
- ▶ Customisation;
- ▶ Portfolio reporting and administration; and
- ▶ Low cost structure (Managed Accounts eliminate one layer of custody/administration fees).

Stanley said that when it came to selecting an SMA manager, licensees and planners should take care in selecting the right manager.

As a manager of SMAs, Ralton Asset Management aims to deliver on six key metrics, as outlined below.

**Table 1: Key metrics**

| Aim                         | How do we achieve this?  |
|-----------------------------|--|
| 1. SMA specialist           | <ul style="list-style-type: none"> <li>▶ Portfolio structure (i.e. liquidity and market capitalisation etc).</li> <li>▶ Investment systems built to manage SMAs.</li> </ul>  |
| 2. Low turnover             | <ul style="list-style-type: none"> <li>▶ Concentrated portfolio and being a value investor leads to longer term holdings.</li> <li>▶ Economic and thematic views drive the 'buy and hold' approach.</li> </ul>             |
| 3. Tax-effective investment | <ul style="list-style-type: none"> <li>▶ Follows from low turnover.</li> <li>▶ 45 day rule / discounted capital gains.</li> </ul>  |
| 4. Consistent returns       | <ul style="list-style-type: none"> <li>▶ High conviction, stock selection, sector and thematic views.</li> </ul>   |
| 5. Risk measures            | <ul style="list-style-type: none"> <li>▶ What stocks or sectors are screened out?</li> <li>▶ Portfolio construction – focus on appropriate risk reward.</li> <li>▶ Fundamental stock research and quality bias.</li> </ul> |
| 6. Execution/trading        | <ul style="list-style-type: none"> <li>▶ Complete transparency – portfolios and trades.</li> <li>▶ Liquidity monitors.</li> </ul>  |





Locally, we've seen an improvement in our terms of trade, continuing spending in infrastructure, fiscal stimulus from last year's May Budget, the effect interest rate cuts and the building of new dwellings have had on house prices and the ability for people to enter the housing market, and we're seeing mining capex making a come back. – ANDREW STANLEY



### MARKET VOLATILITY

In addressing the topic of whether market volatility was over, particularly against the macro backdrop which has seen – quantitative tightening and a wind down of quantitative easing accelerating during 2018; the U.S. Federal Reserve's attempts at raising interest rates; China deleveraging; a slowdown in emerging markets; and the China-U.S. trade war – Stanley said there were positive signs ahead for the Australian economy.

"Locally, we've seen an improvement in our terms of trade, continuing spending in infrastructure, fiscal stimulus from last year's May Budget, the effect interest rate cuts and the building of new dwellings have had on house prices and the ability for people to enter the housing market, and we're seeing mining capex making a come back," Stanley said.

### STOCKS WE LIKE

Riding these tailwinds, Stanley nominated the following three stocks Ralton Asset Management was currently favouring in its investment allocation.

#### 1. AMCOR (AMC)

Arcor Limited is a global packaging company. It develops and produces flexible packaging, rigid containers, specialty cartons, closures and services for food, beverage, pharmaceutical, medical-device, home and personal-care, and other products.

"This global packaging company offered predictable earnings and dividend growth. It's also currently undertaking a major merger with Bemis – a global manufacturer of flexible packaging products and pressure-sensitive material," Stanley said. "Arcor has an attractive growth profile for the next few years, making it a good defensive stock."

#### 2. MINERAL RESOURCES (MIN)

Mineral Resources is a service provider across the mining supply chain – from mine to port. It has an experienced management team and is quickly becoming a world leading lithium producer.

"With the growing global move to electric cars and with Mineral Resources being a world leading lithium producer, which is required for batteries, this is an attractive company to invest in," Stanley said.

#### 3. ARISTOCRAT (ALL)

Aristocrat Leisure Limited is an Australian gambling machine manufacturer, which is progressively moving into the digital and online gaming market.

"Aristocrat moved into the digital gaming business about six years ago," Stanley said. "As a business, it has attracted a lot of talented online gaming developers, who have developed the sorts of games that appeal to users. It has a strong balance sheet and free cash flow generation model."

### BANKS

With the "golden era" of credit growth over, and has been since the GFC, Stanley warned that the Australian banking sector was one to watch closely.

"The headwinds facing this sector are known," he said.

"There's slowing credit growth and the Royal Commission's recommendations to deal with. However, it's not all bad news for the banking sector. The Royal Commission's recommendations were not a disaster for the sector, and the banks do have capacity to restructure their cost base."

However, Stanley warned there were still a number of concerns facing the banking sector including remediation costs to customers affected by bad corporate practice and the Reserve Bank of New Zealand requiring banks operating in New Zealand to double the amount of capital they must now carry.

"Notwithstanding these concerns, I still believe the banks will continue to offer a relatively attractive yield but with low growth," Stanley said.

**The IMAP Investment Forum is a community of interest for dealer group researchers, investment teams and independent researchers, where they can hear and learn from specialist portfolio managers and chief investment officers of advisory businesses. These experts and advisory professionals provide their insights on the practical issues involved in implementing managed accounts in an advice business.**



## The seven year itch

Until recently, Peter Kell was the public face of ASIC. He talks to Jayson Forrest about his seven years at the corporate regulator and the challenges still facing the financial services industry.

**P**eter Kell is one of those individuals who doesn't need an introduction. For seven years, he held one of the toughest gigs in financial services, working at the corporate regulator – ASIC – through a period of unprecedented change and transformation for the industry.

Before stepping away from the watchdog and his role as ASIC deputy chairman in December 2018, Peter oversaw a hectic period dealing with new policy and reviews, as the Government tightened its stance with the financial services sector.

Reflecting on those seven years, Peter concedes the industry has changed "massively".

"Seven years ago, the Future of Financial Advice (FoFA) reforms were yet to be fully implemented, and laws dealing with the likes of responsible lending were only just coming into play. There have been many changes and there will be quite a few more to come, not least the push towards professionalism, which is very important for the financial advice sector."

However, Kell is also quick to point out that during this time, a number of significant problems arose for the sector, undermining consumer trust, which culminated in the Hayne Royal Commission - not least being misconduct arising from conflicts of interest and conflicted remuneration.

Not surprisingly, on the regulatory side of the ledger, Peter identifies that a tougher approach to conflicts of interest as being one of the more significant changes to the industry, with a move from just disclosing conflicts to a greater emphasis on removing them altogether. This was part of a push by the regulator for stronger protections for consumers.

"Legal reforms banned some conflicts of interest, like certain types of commissions. So, from a regulatory perspective, one of the big changes has been moving from a position where 'almost anything goes' in the industry – as long as it was disclosed – to one where there is a stronger emphasis on the need to prioritise the interests of the client.

"Furthermore, there has been a growing expectation that *outcomes* for consumers should be fair, not just a focus on the *process* for sales and advice. Finally, there is clearly a greater expectation that industry will be punished or removed for wrongful conduct."

Peter no longer speaks for ASIC, having moved on from his previous position in late 2018, but he points to three areas where the Government has introduced important reforms that the industry can expect will strengthen the regulator's approach. These are:

1. A significant increase in funding for ASIC. This will allow

the regulator to increase its supervisory and enforcement activities;

2. The implementation of Government reforms that will increase the powers of ASIC. Examples include the new Design and Distribution Obligations (DDO), through to stronger powers to regulate the insurance sector, and tougher requirements for breach reporting; and
3. The recent introduction of substantially stronger penalties for the industry.

"You only need to look at penalties," Peter says. "Until very recently, if a licensee breached its fundamental requirement to act honestly, efficiently and fairly, the maximum pecuniary penalty was zero - there was no penalty! Not surprisingly this was highlighted as a significant weakness during the Royal Commission.

"But that's recently changed. As of a few months ago, that maximum penalty ASIC can now seek is \$525 million. So, that gives you a sense of the impact of the Royal Commission and other inquiries have had on modernising ASIC's enforcement powers."

And in what ways will these changes affect ASIC's relationship with advisers?

Peter says there are some important reforms that are already in play for the advice sector, including new professional standards and a code of ethics, which will impact the way in which ASIC deals with the financial advice sector, particularly when it comes to protecting the interests of consumers.

## NOTABLE ACHIEVEMENTS

While Peter is able to easily identify some of the significant changes to the industry over the past seven years, he was more reluctant to single out a particular achievement during his tenure with the corporate regulator.

"There were major outcomes across many areas – enforcement, law reform through to financial education. And I hasten to add that I was just one member of a team!"

One important achievement he highlighted was that ASIC was successful in making the case for a stronger regulatory toolkit, through some very important regulatory reforms, which will ultimately raise standards and improve consumer outcomes. ASIC was successful, for example, in making the case for the DDO.

The regulator was also successful in getting support for improved protections in relation to insurance claims handling, and these changes are now in the legislative pipeline.

"Interestingly, in my experience, the financial adviser community understood the need for better consumer protections and better data for life insurance claims," he says.



© Simon Kirk

Other achievements he highlights during his time with the watchdog include ensuring appropriate access for consumers to remediation or compensation in the event of industry misconduct, with billions obtained and more to come.

"Stopping misconduct is the first priority. But going the next step to obtain compensation is a lot more important in financial services than most other industries because, in financial services, a lot of money is at stake. In some cases you are talking about a person's life savings. I expect this is an area that ASIC will continue to focus on."

But perhaps closest to Peter's heart was his involvement with enforcement actions ASIC undertook to address financial misconduct that impacted on vulnerable consumers in financial stress or with low levels of financial literacy. Examples included ASIC's enforcement actions against a range of payday lenders, or work in indigenous communities.

"This is something that did not often receive much media attention," he says. "In some remote indigenous communities, you had low-income consumers who were particularly exposed to financial exploitation. They were subject to some dreadful practices. I was pleased to be involved with taking action in these cases."

### HALLMARKS OF A PROFESSION

In referring to reforms aimed at transforming the financial advice sector from an industry to a profession, Peter points to the new FASEA education standards and a code of ethics.

And while he believes these are the correct steps for the

industry to take, how will it know when it has arrived at becoming a full profession?

"It's a good question," he says. "I've said that the financial advice sector has some very good professionals but it's not yet a profession."

Peter believes the sector will know when it has become a profession in two ways:

Firstly, when there are a set of formal requirements in place around areas such as: minimum education qualifications, professional qualifications, continuing professional development, and a code of ethics.

And secondly, and perhaps more importantly, when stakeholders are confident that the needs of clients come first at all times.

"The hallmark of a profession is where the adviser, or specialist, puts the needs and priorities of their clients first. Only when we can look across the advice sector and confidently say that is happening, can we consider the advice sector as being a profession," Peter says.

"There is obviously a lot of change in the sector at present, but I'm confident the reforms are on the right path and we will get there as a result of the changes that are now taking place in the industry."

### CHALLENGES AHEAD

Even with the move towards financial planning becoming a recognised profession, Peter believes the financial services industry still faces a number of challenges in the years

ahead. In particular, he identifies rebuilding trust, dealing with conflicts of interest, and managing consumer expectations.

"Consumer demand for financial services – whether it is advice or products – remains strong, particularly with superannuation. So, there is an opportunity to rebuild the consumer trust that has been significantly eroded. However, if this doesn't occur, more regulation is likely."

Peter also identifies the need for the industry to deal more effectively with the challenges of eliminating conflicts of interest and conflicted remuneration from business models, which the Royal Commission highlighted as a particular issue for the industry.

As for managing consumer expectations, he believes this is a challenge that should be a positive one for the industry.

"It's all about how to deal with increasing consumer expectations around the service and treatment of clients. Consumers are less tolerant of poor treatment, and while this is not unique to financial services, it's something that all advisory firms need to be mindful of as they move forward."

## MANAGED ACCOUNTS

And with the managed accounts sector now accounting for over \$62 billion in funds under management, what is Peter's opinion of this sector?

He has a pragmatic view: "To be honest, I'm not as immersed in how this is evolving as I'd like to be. However, it appears that managed accounts, if done the right way, offer a degree of flexibility and transparency that not only help the adviser, but potentially, the client as well.

"So, if this sector is growing for the right reasons, then that's a good thing."

However, as an 'interested observer', Peter does have concerns about whether the use of managed accounts is appropriate for all clients.

"Financial advice firms need to ensure they are not encouraging clients to adopt an investment solution, like managed accounts, when their needs are less complicated or do not warrant it. In such circumstances, clients shouldn't be moved into products or services that they don't actually need or understand, and that's where the Best Interest Duty kicks in."

Given all the regulatory changes currently happening in the industry, Peter is also concerned that some of the media and industry commentary seems to focus first and foremost on managed accounts as an alternative revenue stream, rather than being a genuine solution serving the client's best interest. He concedes this is a controversial view, coming from his perspective as a third-party observer.

"History tells us if a product is introduced primarily to benefit the licensee/adviser then things can go wrong. The media commentary could be unfair, however, if revenue is the key motivator for the growth of managed accounts, rather than client needs, then that will be a problem for the sector," he says.

"In such circumstances, advisers will need to think very carefully about why they are advising their clients to use managed accounts; what conflicts of interest might arise by using these products; and what requirements, like DDO, apply to the use of managed accounts.

"If planners and licensees can put their hand on their heart and say, 'This managed account solution is right for my client and is in their best interest', then that's terrific. In this new world, the client must always come first."

## LOOKING FORWARD

With his regulatory career at ASIC now well behind him, how does Peter see the industry developing over the next 5-10 years?

Firstly, he hopes the industry will be able to look back and appreciate that the regulatory changes being implemented now, whilst difficult, were a necessary part of the industry's evolution.

"I hope people realise these changes will make the industry more professional, more accountable and hopefully, will restore trust with consumers. But that will require goodwill and commitment from all segments of the industry," he says.

"I also hope we will not see lobbying against some of these necessary reforms and changes, which are genuinely aimed at raising standards."

And finally, how does Peter want to be remembered for his work as deputy chairman at ASIC?

"Well, I'll leave that up to others to decide," he laughs. "If I want to be remembered for something, it's that I have always emphasised the need to put consumers at the centre of what we do – that goes for industry, regulators, policy makers, whoever!

"People want and need good financial advice and financial products. And the client's best interests must always come first. Combine those two things and the industry should have a positive future."

He adds: "Remember, how do you make sure you meet the fundamental obligation to the client and avoid going down the wrong path? That's the question the industry needs to regularly ask itself."



## Towards 2030: Get ready for the megatrends

Michael McQueen analyses two of the eight megatrends that will dominate financial services and society in the coming decade.

© alphaspirit - stock.adobe.com

**C**elebrated author and political theorist David Rothkopf once observed that the ability to anticipate what the future holds is something that doesn't come naturally to most of us.

He suggests that as humans, we operate with a range of biases and we expect the world to confirm them. As a result, we mishear, misread and misinterpret events around us. We live in a world where 85 per cent of the time, today's weather is the same as yesterday's weather and as a result, we tend to let the immediate past shape our expectations of the future<sup>1</sup>.

And yet the future is going to be very different from what any of us have known. London Business School Professor Gary Hamel puts it well when he observes that: "You can't outrun the future if you don't see it coming."

And that's the purpose of my research report, *Towards 2030*. My goal is to help you get a clear sense of what the future will hold, so we can start preparing now.

Having spent over 15 years analysing trends and identifying patterns before they even become disruptions, I'd suggest that the coming decade will be dominated by eight seismic shifts. These megatrends will reshape our world, recast our economy and redefine everyday life in ways many of us can scarcely imagine.

So, what are these megatrends?

Trend 1: The Age of Artificial Intelligence.

Trend 2: The reign of blockchain.

Trend 3: The demise of driving.

Trend 4: The triumph of the tiny.

Trend 5: The printable world.

Trend 6: The end of ownership.

Trend 7: The rethink of retail.

Trend 8: The reworking of work.

However, due to space constraints, I will limit this article to

the two megatrends that I think are particularly interesting for the financial services industry – Trend 1: The Age of Artificial Intelligence and Trend 2: The reign of blockchain.

### TREND 1: THE AGE OF ARTIFICIAL INTELLIGENCE

For many of us, the very mention of Artificial Intelligence (AI) conjures up futuristic notions of Skynet and the malevolent robots that rose up to destroy humankind in the *Terminator* film series.

In reality, however, AI is already here and it's not out to kill us. In fact, AI is saving lives and revolutionising the world of healthcare – and that's just the beginning.

To see the impact AI is already having in the medical arena, consider Toronto-based company Cloud DX, which is leveraging the power of large data sets and machine learning to identify tuberculosis, pneumonia and bronchitis by teaching AI to detect subtle differences in the way a cough sounds<sup>2</sup>.



While advisers, who are expert financial strategists with extraordinary people skills, will remain in high demand for many years to come, those advisers who are stuck in transaction mode will likely find their clients gravitating towards automated 'robo advisers'.



**ANYTHING WE CAN DO, AI CAN DO BETTER**

According to researchers from Future of Humanity Institute at Oxford University, this timeline predicts how long it will take until computers are better at doing everyday tasks than humans<sup>99</sup>:

- ▶ By 2022 they will be better than us at folding laundry.
- ▶ By 2024 they will be better at transcribing speech. Mark Zuckerberg and Jeff Bezos even believe that by 2024, computers will be able to understand everything written in Wikipedia and not just translate it<sup>100</sup>.
- ▶ By 2025 they will be better at assembling Lego.
- ▶ By 2026 they will be better at writing high school essays.
- ▶ By 2030 they will be better than any retail salesperson.
- ▶ By 2049 they will be able to write an entire *New York Times* bestseller.
- ▶ By 2050 they will be able to perform surgery unassisted.

While some express concerns about the reliability of AI-powered diagnosis, Japanese researchers recently demonstrated a computer-assisted system capable of identifying and analysing polyps found during a colonoscopy in less than a second with 86 per cent accuracy<sup>3</sup>.

Beyond the world of diagnostics, AI-powered automation is proving to be a game changer in surgical wards, too. A full 40 per cent of robots currently sold worldwide are designed for surgical purposes. Every year the number of robotic surgeries is increasing by 30 per cent and at the time of writing, more than one million Americans have undergone robotic surgery<sup>4</sup>.

The da Vinci robot is proving to be an enduring success story in automated surgery. When I was working with a key player in the medical device sector recently, they told me that as many as 80 per cent of prostate surgeries today are performed using some form of intervention by a robotic technology, such as the da Vinci<sup>5</sup>.

**INVESTMENT ADVICE FROM AN ALGORITHM**

Although AI is ushering in a new age of efficiency and accuracy in healthcare, in many other industries, its impact could be far more disruptive and disconcerting.

Consider the financial planning and advice business for instance. Traditionally a high-trust business, financial advice has been rocked by a series of scandals in recent years, leaving many clients asking whether human advisers and the fees they command are actually a necessary part of the

wealth management process.

While advisers, who are expert financial strategists with extraordinary people skills, will remain in high demand for many years to come, those advisers who are stuck in transaction mode will likely find their clients gravitating towards automated 'robo advisers'.

These automated investment advice algorithms incorporate a client's goals and risk profile in order to make intelligent wealth management recommendations at a fraction of the cost of a traditional adviser or fund manager<sup>6</sup>.

Carolyn Colley, chief executive of software firm Decimal, says the range of automated advice platforms is likely to grow significantly in the coming years. In fact, by mid 2017, they were already managing \$19 billion of investments in the United States alone<sup>7</sup>.

In the related field of accounting, similar moves towards automation have been underway for some time now. Automated bank feeds and cloud-based accounting software have all but removed the need for bookkeepers – and accountants themselves could be next in the firing line.

For instance, KPMG recently announced a goal of having 30 per cent of client audits completed by AI-powered robots within a few short years. That's the bread-and-butter work of a lot of accountants instantly disappearing.

**COMMUNICATION AND CUSTOMER SERVICE**

While artificially intelligent diagnostic services and investment managers represent big changes, it is the impact AI is set to have on communication and customer service that could most revolutionise our daily lives.

Firstly, we are going to find ourselves communicating fluidly with robots in ways that may have seemed unimaginable just a few short years ago. Amazon's Alexa-enabled Echo, along with Google Home and, most recently, Apple's HomePod, are set to transform the way we interact with and rely upon technology<sup>8</sup>.

Amazon's Alexa is gaining knowledge at a rapid rate, making it ever more useful, reliable and easy to interact with. As of mid 2018, the voice assistant had gained more than 30,000 'skills'<sup>9</sup>.

While many of us are increasingly comfortable with chatting to smart speakers in our homes, the reality is that you and I have been communicating with and relying on robots conversationally for a while now without even knowing it.

**CHATTING TO THE CHATBOTS**

If you've interacted with any large company online or even over the phone in recent months, there is every chance you



For many of us, the very mention of Artificial Intelligence (AI) conjures up futuristic notions of Skynet and the malevolent robots that rose up to destroy humankind in the *Terminator* film series.



were actually speaking with a chatbot, rather than a real person.

Technology research leader Gartner estimates that AI-powered chatbots will be responsible for a full 85 per cent of customer service interactions within a decade<sup>10</sup>. It's easy to see why companies are rushing to implement this automated customer service technology – after all, it costs a fraction of what human service assistants do. It's also far more efficient.

According to Juniper Research, healthcare and banking providers using chatbots are seeing average service interactions being cut by just over four minutes per enquiry – equating to average cost savings in the range of \$0.50 to \$0.70 per interaction. The research's author, Lauren Foye, suggests: "As Artificial Intelligence advances, reducing reliance on human representatives undoubtedly spells job losses<sup>11</sup>."

While much of the emphasis in using AI-powered chatbots has centred on companies employing this technology to engage with customers, something very significant occurred at a recent Google event. For the first time, Google demonstrated what happens when chatbots actually become the customer.

This new technology, Google Duplex, allows customers to instruct their Google Assistant to make phone calls on their behalf and engage with human beings in an uncannily lifelike manner. Live on stage at the 2018 Google I/O conference, a demonstration was given of the Google Assistant calling a salon to book a haircut – even throwing in the odd "mmhmm" for realism<sup>12</sup>.

While the ability for Google Duplex to respond to the nuances and complexities of human interaction was impressive, what was more striking was how increasingly difficult it is to tell if you are actually speaking to a computer rather than a human being.

In 1950, the famed computer scientist Alan Turing proposed that if one-third of a group of humans could not distinguish

a human from a machine conversation, that would mean the machine is capable of 'thinking' – a notion that became known as The Turing Test<sup>13</sup>. If one thing is clear, it's that chatbots have seen technology pass The Turing Test with flying colours in recent years and the potential of what lies ahead for AI technology is truly extraordinary.

## TREND 2: THE REIGN OF BLOCKCHAIN

Recent years have seen cryptocurrencies, like Bitcoin and Ethereum, attract enormous attention and fascination. While early investors in these currencies made small fortunes overnight, what the fever-pitched excitement over cryptocurrencies overshadowed was the more important technological transformation being driven by blockchain.

Blockchain technology is complex, but the idea is simple.

For the uninitiated or unaware, blockchain is a global distributed ledger or database running on millions of devices and open to anyone. On the blockchain, trust is established not by traditional intermediaries like banks, governments or technology companies, but through mass collaboration and clever code. Blockchains radically improve transparency, thus ensuring integrity and trust between strangers<sup>66</sup>.

As a platform for exchange, blockchain has two major advantages. Firstly, because the ledger is shared by many parties, it is therefore incredibly secure and reliable. Transactions are verified in one location and the verification is shared to all parties<sup>67</sup>.

The second main advantage is efficiency. Because traditional intermediaries are cut out, information and assets can be transferred at faster speed and with lower costs than ever before<sup>68</sup>.

According to the latest research, the global blockchain technology market is expected to be worth US\$20 billion by the end of 2024 (as compared to US\$315.9 million in 2015)<sup>69</sup>.

### BLOCKCHAIN AND BANKING: FRIEND OR FOE?

Blockchain could be a great opportunity for banks and financial institutions to improve customer service and efficiency. As evidence of this, in September 2016, Barclays carried out the world's first trade transaction using blockchain – cutting down the time it took to process the transaction from seven to 10 days to roughly four hours<sup>70</sup>.

On the flipside, however, it could well be that blockchain becomes a significant disruption by threatening the very revenue banks and financial institutions earn from facilitating transactions.

Bypassing intermediaries in the financial system was, after all, the clear goal of Bitcoin's creator, Satoshi Nakamoto<sup>71</sup>. It is predicted that blockchain will reduce settlement and transaction costs by up to \$20 billion (revenue that is currently being gobbled up by traditional banking institutions)<sup>72</sup>.

Despite the potential for revenue loss, around 80 per cent of banks worldwide are actively developing their own blockchain technology<sup>74</sup> and at a financial systems level, blockchain is also set to be a game-changer.

In the same way it takes banks days to synchronise their ledgers for currency transfers, when investors want to settle a stock trade, it usually takes three business days from the time the order executes to do the payment and transfer legal ownership of the security.

In order to shorten this transfer time, Nasdaq recently launched a blockchain management tool for shares in private companies called Linq, and some of the world's largest investment banks are exploring how blockchain could be used to settle and trade bonds without the need of a clearing house at all.

In the entertainment world, operators are rapidly working on blockchain solutions to make the sharing of copyright material fairer and more transparent for content creators.

Since the dawn of the internet, many creators of intellectual property were not properly compensated. Everyone from musicians to playwrights, journalists, photographers, artists, and fashion designers had to deal through record labels, publishers, film studios and large corporations – all while grappling with the rise of digital piracy.

In the music industry, pioneering companies such as Mycelia and Ascribe.io are focusing on producing 'intelligent songs' supported by blockchain technology, which enable artists to sell directly to consumers without going through a label, financial intermediary or technology company. Spotify, Apple, Sony Music and other massive media companies stand to lose or gain, depending on how

quickly they embrace this technology<sup>75</sup>.

Looking more broadly than music, blockchain will allow artists to create a registry of their work including certificates of authenticity, condition and ownership – all while enabling them to earn royalties without going through traditional intermediaries<sup>76</sup>.

## THE END OF CASH?

On top of these areas where blockchain will make its presence known, one of the interesting trends that it could accelerate is the demise of cash.

Currency has historically been tied to national sovereignty, with notes and coins bearing the face or insignia of the sovereign. They were also intrinsically linked to the physical world – consider how the very names of currencies such as the peso, shekel and British pound are all derived from terms relating to weight<sup>77</sup>.

However, the emergence of virtual currencies and the blockchain technology that underpins them, represents the most significant change to financial services in decades and possibly centuries.

Blockchain-based cryptocurrencies are a transnational currency. Even more significantly, transactions using cryptocurrencies don't involve any physical money – a purchase of cryptocurrency is merely buying a slot in that cryptocurrency's ledger. Ownership of currency is not verified by anything tangible but rather through a secret 'private key' that divorces personal identity from the ownership.

While this degree of anonymity may sound dangerous at face value, the beauty of blockchain-based currencies is that they are entirely traceable and every transaction is logged forever.

Hedge fund owner Charlie Songhurst predicts that the cryptocurrency Bitcoin will be so pervasive in the years to come that the world may end up with only six digital currencies: US dollar, euro, yen, pound, renminbi, and Bitcoin<sup>78</sup>.

Regardless of the currency used, there is little doubt that financial transactions will involve less and less money in the traditional sense.

While blockchain can be difficult to conceptualise, it's hard to overstate how significantly it will impact our economy and society in the future. According to Ernst and Young's technology strategy leader, Paul Brody, blockchain will be the key catalyst that will "drive a productivity revolution across the globe on par with what Henry Ford did with the automobile".

“

On top of these areas where blockchain will make its presence known, one of the interesting trends that it could accelerate is the demise of cash.

”

## 6 STEPS TO PREPARE NOW FOR WHAT'S NEXT

Naturally, identifying trends and disruptions is only half the battle. The more important question is how organisations, leaders and individuals can prepare for the changes ahead. You can future-proof and bullet-proof yourself and business model by:

### 1. DIGGING THE WELL BEFORE YOU GET THIRSTY

Don't wait for change to hit before you adapt. Re-invent yourself before you are forced to because if you wait too long, it'll likely be too late. The status quo may be comfortable, predictable and profitable for now, but visionary leaders recognise that embracing the status quo is a death sentence for any business today.

### 2. THINKING REVOLUTION, NOT EVOLUTION

When it comes to innovation, many of us make the mistake of adopting an evolutionary approach. While continual process improvement is of some value, it is not going to be enough to prepare for the changes that lie ahead. What's required is revolutionary change – a fundamental re-think of your core assumptions. As legendary business professor Oren Harari once observed: "The electric light never came from the continuous improvement of candles."

### 3. FAILING FAST, FREQUENTLY AND FRUGALLY

Cultivating an appetite and culture for risk and failure is truly vital for any business hoping to stay at the cutting edge. In the words of Nobel Prize winner Frank Wilczek: "If you're not making mistakes, you're not working on hard enough problems." That said, smart innovation is neither reckless nor reactionary. It is an evolutionary process of constantly taking calculated risks, experimenting, testing and iterating.

### 4. FOSTER HEALTHY PARANOIA

Staying ever vigilant to the disruptive threats just around the corner will cultivate the two essential character traits of enduring organisations: humility and hunger. The moment arrogance or complacency sets in, the end is near. After all, the moment you think you've made it, you've passed it.

### 5. FOCUS ON FRICTION

The customer experience is everything today and any process or system that creates friction by causing irritation, confusion and frustration, must be dealt with swiftly. Taking customers for granted, even unknowingly, will leave any business especially vulnerable to being disrupted by the next start-up willing to solve a customer pain-point that the incumbents aren't willing to address.

### 6. SPARE NO SACRED COWS

Bureaucracy, tradition and red tape are the unholy trinity in business today. Leaders must be willing to ruthlessly address the 'way things have always been done', if they hope to foster agility and responsiveness.

**Michael McQueen is a social researcher, professional speaker, trend forecaster and a bestselling author. He was the keynote speaker at the 2018 IMAP InvestTech conference.**

### FOOTNOTES

1. Rothkopf, D. 2017, *The Great Questions of Tomorrow*, Simon & Schuster, New York, p. 10.
2. Swant, M. 2018, 'How Artificial Intelligence Is Changing The Healthcare Industry', *Adweek*, 28 August.
3. Molina, B. 2017, 'New Artificial Intelligence Can Detect Colorectal Cancer In Less Than A Second, Researchers Say', *USA Today*, 30 October.
4. Ross, A. 2016, *Industries of the Future*, Simon & Schuster, New York, pp. 32, 33.
5. Cormack, L. 2013, 'Robotic Prostate Surgery: Keyhole To The Future', *Sydney Morning Herald*, 5 November.
6. Schwab, K. 2016, *The Fourth Industrial Revolution*, Penguin, London, p. 63.
7. Yeates, C. 2015, 'Rise Of The Robots Highlights Grey Areas In Financial Service Advice Rules', *The Sydney Morning Herald*, 20 September.
8. Bishop, T. 2017, 'Amazon Unveils \$20 Dash Wand With Alexa For Voice-Enabled Grocery Ordering And Home Controls', *GeekWire*, 14 June.
9. Perez, S. 2018, 'Amazon will now directly pay top Alexa 'kid' skill developers in the U.K. and Germany', *TechCrunch*, 30 May.
10. 2017, 'Break Through the Hype — Uncover the Reality Of A.I.', *Oracle + Bronto*, July.
11. 2017, 'Chatbots Will Save Business \$8B a Year', *Which-50*, 9 May.
12. Vincent, J. 2018, 'Google's AI Sounds Like A Human On The Phone — Should We Be Worried?', *The Verge*, 9 May.
13. Canton, J. 2015, *Future Smart*, Da Capo Press, Philadelphia, p. 183.
66. Tapscott, D. 2016, 'The Impact of the Blockchain Goes Beyond Financial Services', *Harvard Business Review*, 10 May.
67. Cochran, S. 2017, 'The Trustscape - How Blockchain Reshapes Global Commerce', *CLSA Report*, 11 July.
68. Evers, J. 2016, 'Blockchain And How It Will Change Everything', *The Sydney Morning Herald*, 6 February.
69. Anand, R. 2018, 'What Is Blockchain Technology And What Is Its Future Scope?', *Quora*, 16 August.
70. Galland, D. 2017, '5 Industries That Blockchain Will Likely Disrupt by 2020', *Forbes*, 29 March.
71. Evers, J. 2016, 'Blockchain And How It Will Change Everything', *The Sydney Morning Herald*, 6 February.
72. Schwab, K. 2016, *The Fourth Industrial Revolution*, Penguin, London, p. 63.
73. Canaday, H. 2017, 'Blockchain In MRO Could Happen Sooner Than You Think', *MRO Network*, 26 October.
74. Galland, D. 2017, '5 Industries That Blockchain Will Likely Disrupt by 2020', *Forbes*, 29 March.
75. Tapscott, D. 2016, 'The Impact of the Blockchain Goes Beyond Financial Services', *Harvard Business Review*, 10 May.
76. Ibid.
77. Ross, A. 2016, *Industries of the Future*, Simon & Schuster, New York, p. 76.
78. Ibid, pp. 98-104.
99. Grace, K et al. 2017, 'When Will AI Supercede Human Performance?', *Future of Humanity Institute*, Oxford University, 30 May.
100. Knight, E. 2017, 'Ride an Uber, Drive a Tesla - Just Don't Invest in Them', *The Sydney Morning Herald*, 26 May.



## The naked portfolio

Ben Coombs of Elston Asset Management – winner of the 2019 IMAP Australian Equities Managed Account Award – looks at some of the key considerations to make when constructing managed account portfolios.

**M**anaged accounts are made to be transparent. It's one of the main reasons why clients love them. But, of course, that 'naked' construction has the potential to leave a practice a little bit red-faced, too.

So, how do you provide investors with a 'look through' into the underlying assets and decisions of an investment manager, without causing undue client concern?

Let's look at some of the key considerations to make when you construct managed account portfolios.

### TRANSPARENCY: A DOUBLE EDGED SWORD

With transparency comes responsibility. Just think back to early adopters, such as the Antares portfolios on the MLC

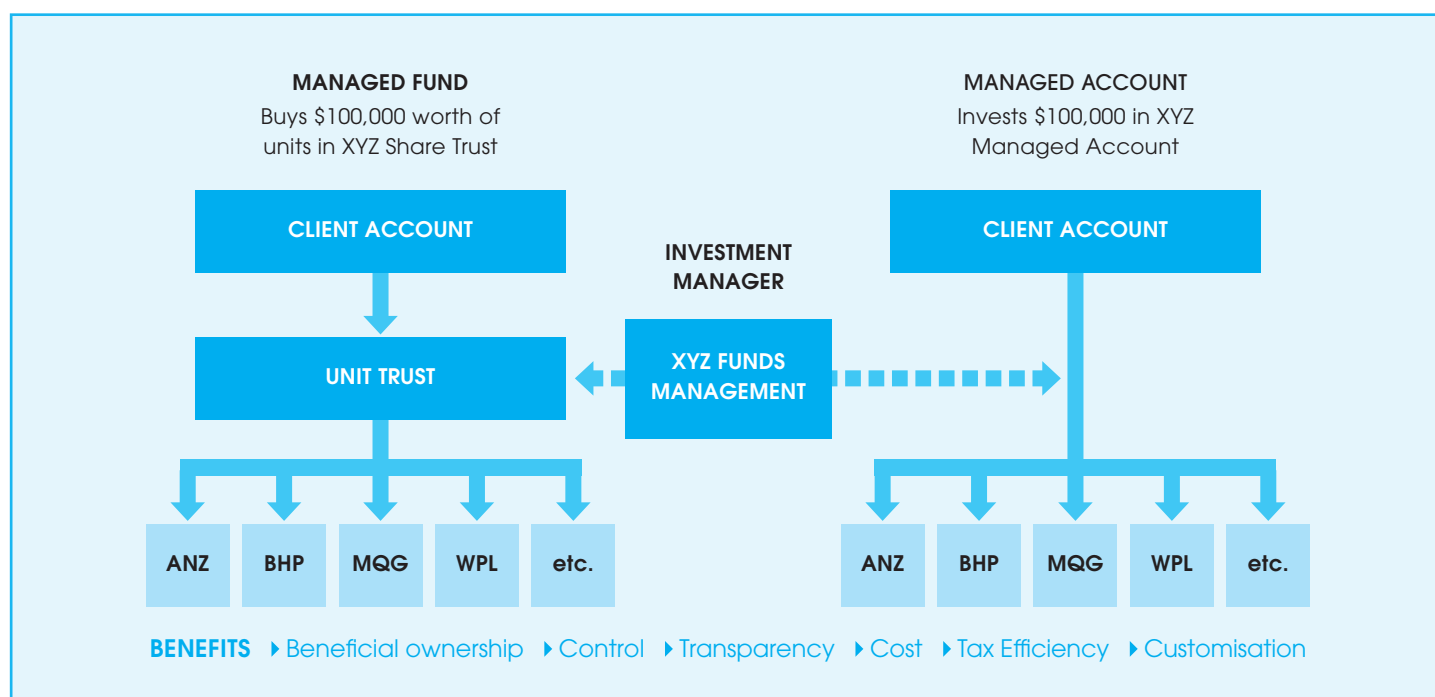
Navigator platform post GFC. What advisers soon realised is that with the visibility of the underlying holdings comes the inevitable reality that clients' eyes will gravitate to the positions that are underperforming, particularly with direct equities. This can occur regardless of whether 80 per cent of the portfolio is performing well and to expectations.

What this means as an adviser is that you will be asked questions about these holdings. The question is, will you be armed and ready with the information to answer them?

### HOLDING NUMBER AND SIZE

Clients do not want to see meaningless holding sizes in any security. When considering your investment policy, it

CHART 1



is important to think about what the client will see in their investment reports.

In a unitised environment, it is possible to manage a larger number of underlying securities in the portfolio because the client only sees the single line item on their reporting. Within a managed account structure, if the portfolio only has \$100 invested in BHP, the client will see that and then question the relevance of having such a small holding.

When setting up an investment policy, or at a platform level, it is vital to be conscious of not only the number of securities, but also the size of the holdings, so that they can add meaningful attribution to the overall portfolio performance.

As an adviser, you need to be prepared to answer questions from clients on the underlying holdings – the more holdings, the greater the need to have the relevant information at your fingertips as to why those securities are in the portfolio and the purpose they serve.

We have run analysis across a range of other managed account portfolios that we see containing as many as 32 managed investments, which may look great from a diversification perspective. However, for the client, they often are delivering a passive beta outcome at an active price due to the overlap of underlying holdings. Not to mention, this can cause a headache for the adviser to understand each of these managers and how their various styles and philosophies work together.

### TRANSACTION REWEIGHTING

What will show up on the transaction report should be considered, and working closely with your platform providers and investment managers can mitigate some of the potential client, and importantly, accountant backlash.

At a business level consider the details of your managed account, such as minimum holding size and minimum trade size to avoid clients receiving a tax report with hundreds of transactions contained. This is an important consideration when portfolios are being constantly reweighted by the investment manager and can be controlled at a platform level. It is important to note, that modifying these parameters may cause some divergence from the manager's own performance reporting.

A knock-on effect that isn't often considered is the impact the volume of transactions can have for your referral sources. In our experience, accountants can become disgruntled with managed accounts if it makes their job at tax time more difficult, because these parameters have not been set appropriately. This is particularly problematic if the accountants have not yet been educated in the after-tax benefits of the managed account structure.

### PORTFOLIO TURNOVER

Clients want to see that their portfolios are actively managed, yet due to the transparency of the managed account structure, they are sure to ask questions about what is going on and why.

However, any given level of activity on the portfolio will mean that for one client there are too many changes and for another client there may not be enough. It is important to get the balance right. Turning over the portfolio too much can be perceived as a brokerage grab, or unnecessary tinkering if not explained correctly.

An important facet of client engagement is educating the client upfront around the SMA manager's investment philosophy. Understanding the rationale for investment decisions in the portfolio is critical to ensuring a smooth client experience, as is the timely communication of the investment decisions. A managed account portfolio should aim to enhance the investor experience and improve their buy-in, with the adviser as the strategy and investment expert.

This is in stark contrast to a managed fund, because investment managers can be in and out of positions, and hide results – both positive and negative – in this opaque environment, without the client being aware of the changes being made nor the performance of the underlying positions.

When constructing and managing portfolios on an ongoing basis, it is important to anchor back to the investment philosophy, being consistent, while also being conscious of what the client sees occurring within their portfolio.

### HORSES FOR COURSES

We don't believe in the 'active vs passive' debate, as if the two investment approaches are battling a war against each other and are diametrically opposed, competing for a bimodal outcome at the expense of the other. Instead, both have valid application in certain circumstances.

When constructing portfolios, we begin with a macro outlook first. Then we seek to find the most appropriate vehicle to



As a business, there is a lot of work and due diligence required when either selecting a portfolio manager off-the-shelf, or a partner to build your own private label.



achieve the market exposure, within a reasonable fee budget for the client whilst not compromising performance. For example, within a concentrated market like Australia, where the index is heavily skewed to banking and financial services, we utilise a more active approach to achieve real diversification across sectors and mitigate concentration risk. In more developed economies, like the U.S. and Europe, which are arguably more diversified, we may use passive investment vehicles to obtain the regional exposures at a cheap price point.

TOTAL COST TO CLIENT: BEST INTEREST DUTY

ASIC has made its intentions crystal clear around best interest duty and total cost to client being a large contributing factor. When constructing your managed account portfolio, ensure you consider not only the management expense ratio (MER), or model manager fee, but the underlying indirect cost ratio (ICR), or total cost to client of the portfolio. Consideration needs to be given to this in conjunction with administration costs and your advice fee.

As a business, there is a lot of work and due diligence required when either selecting a portfolio manager off-the-shelf, or a partner to build your own private label.

Within portfolio construction, apply a 'fee budget' lens to ensure a smooth and compliant transition to the managed account world. While the positive impact that managed accounts can have on practice efficiency is well documented, the adviser needs to be able to articulate to

the client with conviction that the new portfolio offering will put them in a better position, not only from an investment perspective, but ideally, at a lower fee. We have run across examples of portfolios with a total cost of more than 1.5 per cent due to the myriad of underlying managers within the portfolio. This can make the client transition difficult and leave you open to an argument that the decision to proceed with a managed account strategy has been made with the business, rather than the client interests at the centre.

GOALS BASED: PREDICTABLE INCOME STREAMS

Goals based advice is a term widely banded about in our industry when it comes to portfolio construction. We also hear of the 'bucket strategy' regularly employed by advice firms to ensure that portfolios are constructed to cater to clients' short, medium and long-term requirements for their capital.

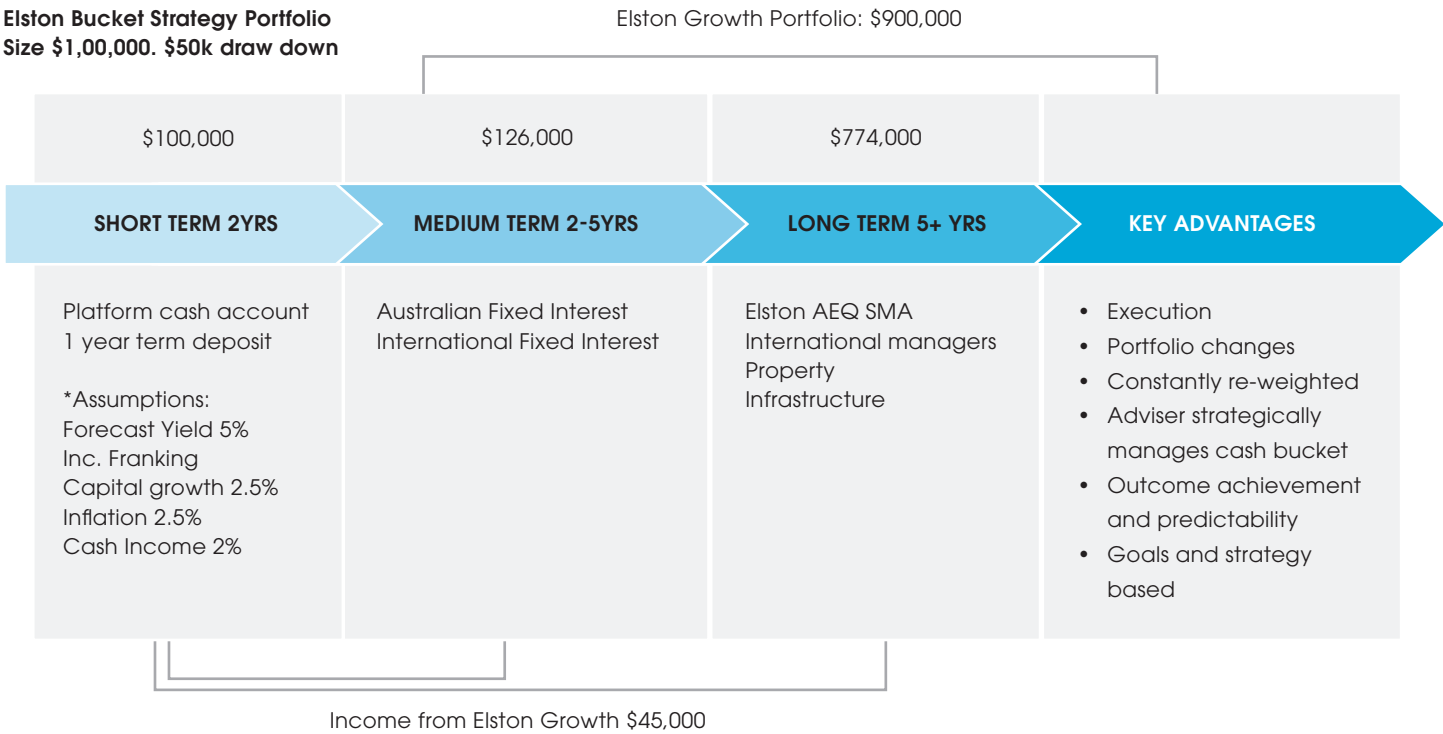
We certainly do not disagree with this approach, however, implementation can be cumbersome and defeat some of the efficiency gains that a managed account strategy can offer.

Consider a client in retirement phase. The challenge is to ensure they have enough cash to be able to meet their lifestyle requirements. When constructing portfolios, one of the benefits of a managed account structure with direct assets is the ability to forecast income, including franking.

This provides the adviser with the strategic tools to actively

CHART 2

Elston Bucket Strategy Portfolio  
Size \$1,00,000. \$50k draw down





© metamorworks - stock.adobe.com

manage the client's short-term cash account at review, and re-assess their requirements and strategic goals, with a level of certainty that the income from the portfolio will continue to support their strategy and meet the client's needs. See Chart 2.

### PERFORMANCE

Ultimately, this is how your clients will assess the managed account and the portfolio construction. The portfolio needs to have performed in line with client expectations and to meet their goal requirements.

When considering a manager to partner with or use off-the-shelf, consider their track record, the experience of the portfolio managers, the depth of the investment team and importantly, their experience when it comes to running portfolios in a managed account structure.

### COMMUNICATION: ENHANCING THE CLIENT EXPERIENCE

Enhancing the client experience should be central to constructing portfolios in a managed account strategy.

Given the more transparent nature of the portfolio for clients, communication from the manager to the adviser and client is crucial to successful implementation. At the point of roll out, the adviser's delivery of the investment philosophy with conviction and managing the client's expectations, is pivotal when recommending a managed account.

The ongoing communication proposition is what sets a successful managed account strategy apart. It is important that the manager and the business stand

by their investment decisions, links them back to the investment philosophy, and provides the adviser with timely communication for portfolio changes to enhance the perception of the adviser in the client eyes.

Be conscious that the communication should be pitched in client language at a level that they can understand, without investment jargon, so that the adviser can utilise this to enhance the overall client value proposition.

### WIN, WIN, WIN

Constructing managed account portfolios requires consideration of multiple stakeholders and the knock-on effects, including advice staff, back-office, referral partners, investment managers, administration platforms, the licensee, the regulator and at the heart of it all, your clients.

Continually anchor back to the questions: Why is this better for my client and their experience than what we are currently doing? How do managed accounts enhance the advice proposition?

When implemented well and in consideration of the foreseen and unforeseen consequences that can occur, managed accounts can provide:

- ▶ a win for your business efficiency and consistency of portfolio delivery;
- ▶ a win for the manager or investment consultant that you choose to partner with; and
- ▶ a win for the client through enhanced transparency, increased communication, more consistent performance and ideally, a lower total portfolio cost.

### Ben Coombs is Senior Distribution Manager at Elston.

Elston takes a consultative approach with the businesses that it works with and keeps the client at the centre of this process. It offers managed account portfolios off-the-shelf on platform and can work with advice firms to build their own private label managed account portfolios. Ben Coombs can be contacted on 0411 126 442 or Mark Smith on 0405 680 715.

“

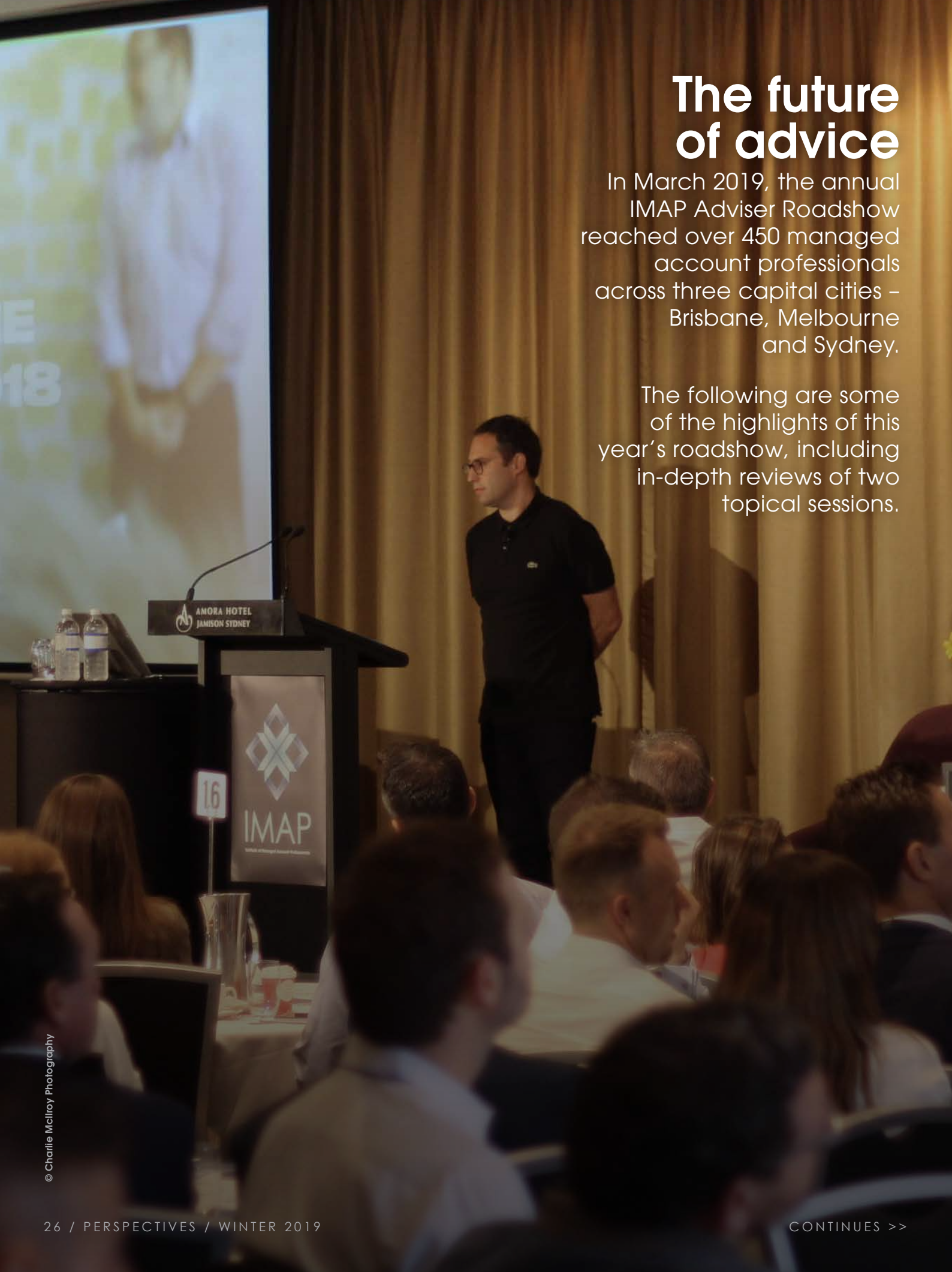
Enhancing the client experience should be central to constructing portfolios in a managed account strategy.

”

# The future of advice

In March 2019, the annual IMAP Adviser Roadshow reached over 450 managed account professionals across three capital cities – Brisbane, Melbourne and Sydney.

The following are some of the highlights of this year's roadshow, including in-depth reviews of two topical sessions.





© Charlie McIlroy Photography

## TECHNOLOGY IS KEY TO THE FUTURE

Talk to Kelly Power about the key drivers for advice and advice businesses over the next 5-10 years, and the one thing she is very nervous about is the growing cost of advice.

"There is an absolute need for people to access quality advice and that need will only continue to grow," said the General Manager Product at Colonial First State. "However, the growing cost of advice could drive people away from receiving it."

Speaking at the IMAP Adviser Roadshow in March, this was one of the key insights from Power, who pointed to the U.K. retail distribution review (RDR), which was aimed at introducing more transparency and fairness in the investment industry.

"Post RDR, almost half the advisers in the U.K. market left, but since then, more profitable businesses have emerged. While there is no doubt that the industry here needs to focus of removing conflicts of interest, we also want to avoid a mass exodus of advisers."

“

Managed accounts allow advisers to concentrate on client engagement, rather than the money management aspect. By doing so, advisers can focus on delivering quality advice by putting the client first in everything they do for them. – KELLY POWER

”

Power believed technology was a solution for advisers and advice businesses to better manage their conflicts. However, Power, who was responsible for leading the BT Panorama platform project – one of the industry's largest technology projects – said she was only too aware of the complexity of dealing with rapidly evolving technology.

"Configurable technology is the key to dealing with rapidly changing technology. You don't always have to build everything yourself. Instead, use what's available and configure it to your needs," she said.

"Technology can help advisers better manage and deal with the complexity of financial planning, including compliance and managing conflicts. However, I don't think platforms have completely cracked this formula yet."

Power added that the industry needed to improve its efficiency. She believed that managed accounts provided that efficiency, as well as helping to deliver better outcomes for clients.

"Managed accounts allow advisers to concentrate on client engagement, rather than the money management aspect. By doing so, advisers can focus on delivering quality advice by putting the client first in everything they do for them," she said.

## WHY OUR BUSINESS MODELS WILL SURVIVE

Also speaking at the IMAP Adviser Roadshow, three industry professionals – Mark Smith (Perpetual), Lisa Fuentes (Affinity Wealth) and Laurence Poulter AFP® (Partners Wealth Group) – shared their insights on why their respective business models



© Charlie McIlroy Photography

will survive over the coming years. They responded to the following three questions in relation to their businesses.

### Q1. HOW HAVE YOU CHANGED THE CLIENT EXPERIENCE?

"Ten years ago, advisers were comfortable talking to their clients about stocks. However, with the development of managed accounts, they are now able to spend more time on having different and more meaningful conversations with their clients, like lifestyle planning, estate planning and philanthropy. These types of conversations have been a real extension of our client engagement, which has added value to the overall client experience."

– Mark Smith, Group Executive, Perpetual

### Q2. HOW ARE YOU GIVING ADVISERS THE SPACE TO ALLOW THEM TO FOCUS ON THEIR CLIENTS?

"We recognise the need to provide our advisers with the time they require to have deeper conversations with their clients. To help them achieve this, we have set up internal systems that frees them from a lot of the back-office administration, enabling them to concentrate on their clients. We have also appointed a person internally to focus on delivering greater efficiencies to the business."

– Lisa Fuentes, Practice Manager, Affinity Wealth

### Q3. HOW DO YOU ATTRACT AND RETAIN ADVISERS TO YOUR BUSINESS?

"There's no denying that attracting new advisers and retaining existing advisers is hard. We seek to grow a lot of our talent internally, by providing them with the help and support they need. This includes training. When we hire externally, we look for people who are adaptable and share the core values of our business."

– Mark Smith, Group Executive, Perpetual

"Internally, we have developed an Associate Adviser Academy, which focuses on the soft skills that graduates don't have. The Academy is a two year program, comprising of 1-2 sessions per month, so time wise, it's not too demanding on individuals. This initiative has been very powerful for young graduates, who see the benefits of the program on other advisers who have completed it." – Laurence Poulter AFP®, Practice Manager – NSW, Partners Wealth Group

"Today's graduates are looking for defined career pathways, with defined timelines. They want purpose and vision with their career. It's important to provide them with these defined pathways and timelines. We support our new graduates with both internal and external training, as well as a mentoring program." – Lisa Fuentes, Practice Manager, Affinity Wealth

## Talking about the future

Over 450 delegates attended the IMAP Adviser Roadshow across three capital cities – Brisbane, Melbourne and Sydney. Delegates not only enjoyed presentations from leading managed account professionals, but took the opportunity to network during the day.



# Best Interests Duty: What do advisers need to think about?

In the wake of the Royal Commission's recommendations, Simon Carrodus takes a look at Best Interests Duty and how to manage them.

© Charlie McIlroy Photography

**T**he Best Interests Duty and related obligations comprise of four components. The first of these components is the overarching obligation to act in the best interests of the client.

The law provides planners with one way of complying with that obligation, which are the Safe Harbour provisions that comprise of seven steps. These are:

1. Identify the client's needs and objectives;
2. Identify the subject matter of advice;
3. Make reasonable enquires;
4. Assess your own expertise;
5. Conduct your own product research;
6. Base all judgements on the client's needs and objectives; and
7. Take any other reasonable steps.

Under the law, if you tick all these steps, a planner will get the protection of the Safe Harbour, meaning the planner is deemed to have complied with Section 961B.

However, this is not the only way you can comply with the Best Interests Duty. Just because you haven't ticked all the boxes of the Safe Harbour provisions, doesn't automatically mean you have failed to comply with the Best Interests Duty. Instead, it simply means you haven't got the protection of the Safe Harbour.

In reality, most licensees do set up their systems to ensure they are compliant with the seven steps of the Safe Harbour provisions. That's because they are good steps to cover off on, as part of ensuring good compliant advice processes. Also, it's important to remember that the seven steps are ASIC's interpretation for the delivery of compliant advice. Recently, many of the investigations and reports ASIC has

undertaken – including *Report 515 Financial advice: Review of how large institutions oversee their advisers* and *Report 562 Financial advice: Vertically integrated institutions and conflicts of interest* – are essentially desk reviews, where ASIC is checking for compliance with the seven steps.

Therefore, if ASIC doesn't see evidence of compliance with the seven steps, it marks this as a failure of the Best Interests Duty. And while this failure may not be strictly correct from a legal viewpoint, it is nonetheless the current regulatory interpretation of the Best Interests Duty that the industry is dealing with.

## WHAT CAN GO WRONG?

When you consider the seven steps, there are a lot of areas in which things could go wrong for planners. In my experience, there are two specific danger areas that constantly crop up. They are:

1. The planner failing to conduct product research, or at least to capture that product research somewhere on file and explain it in the SOA, particularly in relation to the client's existing product; and
2. The planner failing to link their recommendation back to the stated needs and objectives of the client. If the planner fails to do that, then the planner's client files begin to look generic when being reviewed by ASIC or the FPA.

## APPROPRIATE ADVICE

Under the umbrella of the Best Interests Duty, planners have an obligation to provide appropriate advice, as outlined in Section 961G. This obligation is about explaining how a planner's advice addresses their client's needs and objectives, and why the planner's advice is likely to leave the client in a better position.

There has to be a coherent narrative to explain the reasons

for the advice. For example: 'For these reasons, at the time of the advice process and based on my analysis of your situation, we think this will leave you in a better position.'

These reasons should be captured and documented in the planner's file notes and summarised in the SOA.

### CONFLICT PRIORITY RULE

The obligation with the Conflict Priority Rule is to prioritise the client's interests above those of the planner, the licensee or the corporate group.

The recommendations from the Royal Commission make it absolutely clear that any time a planner recommends an in-house or related-party product, including managed accounts, a conflict arises.

According to Section 961J, in that type of scenario, a planner has to take appropriate steps to ensure they are prioritising the client's interests above those of themselves, the licensee and corporate group.

It's important to note that it's not good enough to just disclose your obligation. You actually have to manage that conflict by explaining why the in-house product is better for the client than their existing product, including how it's more likely to satisfy their needs and objectives.

### IN-HOUSE PRODUCT

When discussing in-house products, we need to refer to ASIC's *Report 562 Financial advice: Vertically integrated institutions and conflicts of interest*.

While this report only focused on the big five financial services institutions – CBA, Westpac, ANZ, NAB and AMP – it found that 68 per cent of client funds were invested in in-house products.

ASIC took 200 files, or 40 files from each of the institutions, which related to clients switching out of an external product into an in-house product. ASIC found that 75 per cent of these files were non-compliant with the Best Interests Duty and failed the seven Safe Harbour steps.

According to ASIC, it found a lot of unnecessary replacement of financial products. It deemed these products to be unnecessary in the sense that the current product was perfectly capable of meeting the client's needs and objectives.

It would be naive to think that this non-compliance was something only happening at the big end of town, and is not something that medium to small businesses need to worry about. But the same conflicts do affect many small to medium-sized advice businesses, including those that use managed accounts.

ASIC Chair, James Shipton, did mention in 2018 that the

regulator has plans to extend Report 562 to the broader market, but we're waiting to see what that looks like. However, the conflicts of interest that ASIC identified with the big five institutions, do apply to the rest of the market.

While the 75 per cent figure of non-complaint files that ASIC discovered with the 'big five' is concerning, it should be noted that the regulator did not find that 75 per cent of the advice was inappropriate. In fact, the percentage of inappropriate advice was actually around 10 per cent. Instead, 75 per cent of files failed to demonstrate compliance with the Safe Harbour steps.

So, my advice for planners and licensees is to capture and keep proper documentation around the client advice process. Poor documentation is not defensible when it comes to the Best Interests Duty.

The message from ASIC is clear. If it's not documented on the file, then it didn't happen. If you look at ASIC reports 562 or 515, the issue was not necessarily that planners had breached the law. Instead, the issue was there was nothing in the files to demonstrate compliance with the law.

### WHAT ARE PLANNERS SUPPOSED TO DO?

Planners need to recognise that their in-house product is not going to be suitable for all clients. If the product is not suitable, the planner can either:

- ▶ decline to work with the client;
- ▶ refer the client to someone who can better help them; or
- ▶ research other external products that are more suitable to the client's needs and objectives.

In many circumstances, a client is likely to have an existing product. It is completely permissible for the planner to conduct research and analysis to consider whether the product is suitable for the client or whether it's appropriate to switch the client out of that product and into an in-house product.

However, in order to do so, planners first need to do two things:

1. They have to properly research the client's existing product. That research needs to be captured in the client file and summarised in the SOA. If the existing product is able to satisfy the client's needs and objectives, it is going to be difficult to switch the client's product with an in-house product, even though a planner might come to the conclusion that an in-house product can satisfy some of their needs and objectives better.
2. You have to conduct a like-for-like comparative analysis of the existing product with the proposed in-house product. You can even consider adding a third product in this analysis that is also capable of meeting the client's needs

and objectives. This enables the client to get a better idea of the various options available, including a product's respective pros and cons, benefits and costs.

It will be difficult for a planner to justify a product switch if the benefits of an in-house product are lower than the existing product, or if the costs are higher. However, if there is a specific client benefit that isn't being addressed in their existing product, which a planner can link to the in-house product, then a switch could be justified. In this case, the product switch needs to address some needs and objectives that aren't being currently addressed with the existing product. Essentially, what a planner needs to do is to be able to explain why their in-house product is better able to satisfy their client's needs and objectives versus the existing product. Remember, every client is different. If you can't easily justify a product switch into an in-house product, then simply don't do it.

## LEARNINGS

Over the years, I have advised a number of clients who have had their files reviewed by ASIC, the FPA and FOS (now AFCA). These clients have generally got into trouble for producing inadequate or generic 'cut and paste' reasons to justify the product switch. These reasons generally focus more on the planner or the product, and they fail to link it back to the specific needs and objectives of the client.

Some examples of inadequate reasons used by planners for switching include:

- ▶ *"You want to receive ongoing advice from me, but I don't advise on your existing product."*

This reason is inappropriate, as it's all about the planner and not the client.

- ▶ *"This product provides regular reporting, online access, a range of investment options etc..."*

However, this reason fails because, despite all the great features of this product, at no stage has the client said these features are important to them? And even if all these features are important for the client, if they are on a similar retail platform, they are probably already receiving these features. If a planner is going to switch a client out of one retail platform to a similar platform, it's going to be difficult to justify these benefits which the client is probably already receiving.

The above two responses are clearly inadequate reasons for product switching. Instead, better reasons for switching are:

- ▶ *"You want a lower cost product. This recommended product has lower fees and costs than your existing product."*

This response is linked to a client need and it's comparing to an existing product.

- ▶ *"You want fixed insurance cover that does not decrease as you age. Your existing fund does not offer fixed cover. This recommended fund does."*

Again, the client need is linked to the current product, showing that the recommended in-house product is better for the client's needs and objectives.

The reason why these two latter responses are better is because they put the client at the centre of the reason, rather than the planner or the product itself.

## ROYAL COMMISSION RECOMMENDATIONS

As part of the Royal Commission's recommendations, there were 10 recommendations that relate directly to financial advice, and a handful more that indirectly related to advice.

Some of the major recommendations include the ending of grandfathered trail commissions from January 2021. Commissioner Hayne has recommended that ongoing fee arrangements should be reviewed annually, and Hayne recommended a single, central disciplinary body for planners.

One of the more interesting recommendations was Recommendation 2.3 – Quality of Advice Review. After going through such a long review process, one of Hayne's recommendations was for ASIC and Treasury to conduct their own review of the advice sector by the end of 2022, in relation to improvements that have been made to the delivery of quality advice in Australia.

As part of the recommendation, Hayne said the Safe Harbour provisions should be repealed unless there is a clear justification for retaining them.

When you read the Royal Commission's Final Report, it's clear that Hayne is not a fan of the Safe Harbour provisions. Many of Hayne's comments about the financial services laws and the regulatory system that planners operate in, is that they are too complex and should be simplified. His views of the Safe Harbour steps are consistent with that sentiment.

Hayne's view is that the Safe Harbour steps encourage a 'tick box' and a 'form-over-substance' approach to advice. He believes if you remove these provisions, and just focus on Best Interests Duty and appropriate advice, then planners would focus more on the deliver of quality advice, rather than a compliance checklist that they have to fill out.

So, as we move ahead, on the topic of Best Interests Duty, we need to be mindful that the Safe Harbour provisions might not be with us for much longer.

**Simon Carrodus is a Senior Associate at The Fold Legal.**

## Pricing for value

Speaking at the IMAP Adviser Roadshow, Alan Kenny and Vincent O'Neill discussed value pricing in a business.

### Q: PLEASE DESCRIBE YOUR BUSINESS AND ITS VALUE PROPOSITION.

**ALAN KENNY:** At Ironbark Asset Management, we source best of breed managers from around the world and distribute them here in Australia. When it comes to managed accounts, we wear a couple of hats. One of these hats is as an underlying investment management in some portfolios. In some cases, we are the investment manager of the managed account. We also act as a responsible entity (RE).

Like any RE, we are in a unique position in that we have a lens across the entire value chain that links into managed accounts. So, as an RE, we have to be across all parts of the business and its offering, to allow us to understand what each part of the value chain is actually doing, what it's charging, and whether value is actually being delivered.

We believe managed accounts are delivering a huge amount of value for advice businesses, particularly for those businesses that are moving from just running model portfolios to offering a financial product. It's a massive change of focus for these businesses, which now includes a fiduciary role.

One thing that gives us comfort around the value chain is that for advice businesses that are starting to move down this model, it forces them to really look at their client base. They could have 20 to 25 model portfolios that are all configured for different permutations of clients, but when you start designing a financial product, you actually have to condense that down because it's quite inefficient to have that many portfolios.

So, it really focuses your thinking on what is the value of my service to clients and what is the best solution for them.

**VINCENT O'NEILL:** Stanford Brown has over 30 years' experience as a specialist private wealth business. We approached managed accounts about six years ago, as a result of identifying inefficiencies in the traditional way of doing things.

We looked at the established financial planning model in terms of money management and could see the inefficiencies in that. For example, regardless of how skilled an investment committee was in making investment decisions, when a client eventually had that investment decision implemented, largely depended on when they actually met with their adviser, and not when the investment decision was made by the investment committee.

We went through the process of identifying the different areas of value-add in our business, and knew there had to be a more efficient way of running the money.

That led us to consider whether we had the expertise to do this, or whether we needed to bring this expertise in-house, or whether we wanted to partner with another player. We eventually made the decision to bring in a Chief Investment Officer, Ashley Owen. By doing so, we were able to build a specialist money management offering around that, which enabled us to take our offering to the next level.

However, what did this mean for existing advisers and their discussions with clients? We understood that a managed account offering could potentially be threatening to advisers, if they positioned themselves to be the investment expert with their clients.

We started very early on with a communication strategy with our clients and advisers about where the business was heading and the changes that would be implemented.

From this point, we rebuilt and redefined our advice offering by clearly separating out the money management aspect of our business from the advice process.

**Q: BY IMPLEMENTING YOUR MANAGED ACCOUNTS OFFERING, HOW DID YOU COMMUNICATE THE CHANGE WITH YOUR CLIENTS AND GET THEM TO ACCEPT IT?**

**VO:** Our approach was to start the client communication piece as early as possible – both for internal advisers and for clients.

The one mistake I probably made in leading this project was starting our communication strategy almost too early. We started talking to our clients about the efficiency of doing things and the loss of some of their discretion around investments. We wanted to be very upfront with our clients about this and explain that managed accounts weren't for everyone.

However, we got to a stage where our clients were quite eager to go down the managed accounts path, but we were still trying to get all our processes in place.

We are quite fortunate at Stanford Brown in that we are a single office business and we have a tight adviser group who strongly believe in our investment philosophy. So, by properly educating and resourcing our advisers, they have had no objection to our move to managed accounts.

Probably the area where our advisers have needed the most help was with assistance with articulating the value of managed accounts with their clients.

**Q: WHAT ARE THE CHALLENGES WHEN ROLLING OUT A MANAGED ACCOUNTS SOLUTION FOR LICENSEES?**

**AK:** Our conversation with licensees is about helping them make good decisions around structuring investments, and primarily, this is about whether managed accounts is the right solution for their business.

We have licensees who have the same need, which is to design professional-grade investment solutions – we call them multi-asset solutions. We're quite agnostic as to what constraint that takes. We also point out that the right solution for a business doesn't have to be a managed account. It could be a managed fund or it could be an MDA.

But at the heart of the conversation we have with our clients is around building the right governance, and making sure it is fit for purpose for their clients.

For example, we have clients who started this journey five years ago, prior to many of today's mainstream

managed account solutions being available. Back then, they decided to go down the managed fund path.

However, groups that we are talking to today are still thinking about 'paths', and the managed fund versus managed account path is still relevant to them. Ultimately, it all comes down to the client. What are clients looking for and what type of structure is most suitable for them?

For example, a group that decides to go down the managed fund path might choose to do so, purely because it's a simpler proposition to explain to clients.

So, when we're thinking about value and solutions that allow practices to build leading investment capabilities that are designed to deliver on client outcomes, then the needs of clients must be front-of-mind.

**Q: WHY WOULD A LICENSEE CHOOSE A MANAGED ACCOUNT PROVIDER RATHER THAN BECOME THE RE?**

**AK:** Most licensees don't have the capacity to be the RE. So, for them, the decision becomes: Do I use the in-house RE of the platform or do I use an external RE?

For many of our clients, it's about creating separation. Having that separation between the platform and the provider of the managed account and having an external RE, helps with managing conflicts.

**VO:** Stanford Brown went through that same exercise a number of years ago. We were considering the options of MDA versus managed accounts. From an advice business perspective, we definitely considered that if we did go for an MDA, what would be the implications for things like PI insurance?

MDAs and managed accounts are very different structures and the RE wears a lot of the responsibility. If you want to bring certain things in-house, you're actually bringing in a lot of the risks that go with that. So, it's really worth doing your homework early on.

“

We started very early on with a communication strategy with your clients and advisers about where the business was heading and the changes that would be implemented. – VINCENT O'NEILL

”



© Charlie McIlroy Photography

I also believe it's about understanding what you want to get out of the structure for the client. For example, a managed fund might give you more flexibility in terms of investments. Whereas for clients who want more transparency and flexibility with their portfolio, and who want to own the underlying assets, then that's where a managed account is more suitable.

You really do need to understand the options available. The ability to do this in-house without any external expertise is challenging but there are a lot of providers available today that can help practices build this type of offering.

**AK:** We're also finding that there are more and more advisory businesses with books across multiple platforms. So, for businesses either in acquisition mode or looking to break away from institutional ownership, they are thinking about what type of platform they need for their current clients and future clients.

One of the reasons practices come to Ironbark instead of opting for an in-house RE, is they have a desire to build a uniform solution that sits across multiple platforms – and that's managed accounts. A managed account provides them with a single investment committee and a single process to define portfolios, which is implemented across multiple portfolios to drive business efficiency.

**Q: CLIENT REBATES ARE A WAY OF REDUCING THE OVERALL COST OF THE MANAGED ACCOUNT. WHAT DO YOU SEE AS THE VARIOUS ROLES AND RESPONSIBILITIES OF THE LICENSEE, INVESTMENT MANAGER, THE RE AND PLATFORM IN RELATION TO THIS?**

**VO:** The RE needs to make sure that the overall fee load is reasonable, so there is potential there to add value for the client.

From Stanford Brown's perspective, we know we're under fee pressure in this industry and particularly on the money management side of what we do. There's a significant focus on fees, driven largely by the media.

When we were first looking at managed accounts, Stanford Brown had reasonable scale. We had over \$1.3 billion in assets under management. We wanted to leverage that scale with the fund managers and push for client rebates. However, at best, we had modest traction doing this.

But today, things have changed. Fund managers are now very aware of fee pressure.

The traditional model where fund managers would charge large fees for active management is waning. Instead, they are more willing to do one of two things: to provide us with a rebate, which we pass directly onto the client, or provide a more customised version of the fund for you, which could be zero fees with a

performance fee for an active manager when they have added value to the fund.

We like Allan Gray's new Class B that has recently been launched, where the fund manager will back itself by not taking an ongoing MER. They will just take a performance fee.

So, our key rule is to leverage as much as possible to get these fees as competitive as they can be.

**AK:** Rebates is a great example of the value chain working together. If you go back a couple of years, rebates were primarily on a platform level at around 10bps – and you were lucky if you got that.

What we're seeing with the move by advisory businesses to managed accounts is scale and therefore being able to negotiate. We use our scale as an RE and a fund manager, with broad relationships with our clients, to negotiate fairly compelling rates.

When you look at practices that moved from running model portfolios to a financial product, it's more expensive because you are adding on an RE fee level on top of that, possibly a platform admin fee layer on top of that as well. So, rebates are absolutely essential.

But it's not just about rebates. When you're moving clients from direct equities into a managed account structure, the fee goes up because you are putting in place professional asset management. That's where the benefit of scale kicks in, by allowing you to go to fund managers and negotiate a mandate.

#### **Q: HOW CLEAR ARE YOU IN DISCUSSING FEE REBATES WITH YOUR CLIENTS?**

**VO:** We openly talk about it. Obviously, disclosure is the key when talking about fees. We built it into our cost disclosure in our SOAs. It's like any message, in order for people to understand what it is you're saying, you need to repeat the message – and that's what we're doing.

Because of the media bias around fees, particularly post Royal Commission, we just need to keep sharing the message that we are actively pushing to reduce costs.

#### **Q: THERE IS AN INHERENT CONFLICT OF INTEREST IF YOU ARE ASSOCIATED WITH A PRODUCT THAT IS OFFERED BY THE LICENSEE, WHETHER IT BE A DIRECT EQUITY RELATIONSHIP OR OTHERWISE. HOW DOES YOUR BUSINESS MANAGE CONFLICTS OF INTEREST?**

**VO:** Interestingly, Stanford Brown looked at the historical way of doing things and tried to find a better way of doing it, but like so many other advice businesses, we

were suddenly sitting across the table from the lawyers who were telling us we had a product and we had to manage it accordingly.

From a business perspective, trying to eliminate all conflicts of interest is probably more ideological than practical. The key for us is recognising that conflicts are there in the business and then working out how to manage them.

We've been evolving our approach to managing conflicts over a number of years. Obviously, the most simple things are around how you build your adviser remuneration models. You don't want to have anything there that is incentivising incorrect behaviours.

We have built a very clear fee methodology. In fact, we charge our clients less if they are using the managed account because it brings certain efficiencies to the business, which we build into our charging model. But if a client is wanting something that is more labour intensive, then they pay for that. We also have very good compliance around how our advisers document and record their advice.

I think the area of managing conflicts of interest is moving quite quickly, particularly in respect to what is considered best practice. As a business, you need to ensure that you are properly identifying the conflicts in the business. You need to adequately disclose those conflicts, and ensure that your advisers' client file notes are kept up-to-date.

#### **Q: AS AN RE, WHAT GIVES YOU COMFORT THAT VALUE IS BEING PROVIDED IN THE INVESTMENT MANAGEMENT FUNCTION WHEN YOU ARE DEALING WITH PARTICULAR LICENSEES?**

**AK:** We are a very active RE. For every client we work with, we work very closely with them from the start, which includes designing their solution and bringing it to the marketplace.

We focus on the due diligence and the governance that has to be designed around the investment committee. We work closely with the investment committee in relation to the appointment of the asset consultant. We also put very tight mandates around what the model manager can do.

We take an active role because something like moving from a model portfolio to a financial product is a big change for an advice business, which requires a process of education and governance around that.

As an active RE, part of our requirement is to be appointed to the investment committee as a voting

member. However, that's not to second guess investment decisions. Instead, it's to provide operational day-to-day governance support to the investment committee.

As an RE, we care about how the product is run. We care that the right processes are being followed. So, our role on the investment committee is not only voting on matters, but ensuring the the right processes are being followed in making decisions around investments.

#### Q: IN TERMS OF VALUE, WHAT'S YOUR VIEW ON FEE PRICING?

**VO:** At Stanford Brown, we start at a total cost of client. In the early days, we knew that if we were going to charge an investment management fee, then we had to provide clients with demonstrable value-add.

As a business, you need to ask yourself: what is your value proposition from an investment perspective; are you selecting managers; are you doing active asset allocation; are you negotiating with fund managers? Essentially, what are the different pieces you are providing to the client that adds value and can you justify it?

We are conscious of the downward pressure on fees, so we initially built models that were a blend of using active and passive management. As an investment manager, we will take quite significant positions or off-benchmark positions when we feel it's right from an asset allocation perspective. By doing so, in return for some of the performance we deliver, we felt we were entitled to add a fee.

But we are also conscious that for some clients, it's the total fee load that is almost the only thing they care about. So, we have developed and launched in late 2018, a 'sister suite' of models that were built purely



If you go back to price and value, the keyword missing from this is 'substance'. Is there substance behind what's being charged for and the services being provided to the client?

– ALAN KENNY



out of passive managers. And while we still do active asset allocation over the top, implementation is through passive instruments.

**AK:** If you go back to price and value, the keyword missing from this is 'substance'. Is there substance behind what's being charged for and the services being provided to the client?

You only need to look at quality advice businesses that are running investment committees. You look at the work they are putting into really thinking about their investment proposition and setting up the right governance structure. In such examples, you can honestly say there is substance behind what they are doing.

#### Q: IN RELATION TO ONGOING SERVICE, WHERE DO YOU THINK THE INDUSTRY IS HEADING?

**VO:** We're moving to an age where value is held in information that wasn't freely available in the past. So, the value an adviser offered to a client was their knowledge, which was not available to the client. But that type of value is declining due to the availability now of information through mediums like the internet.

However, there are still huge opportunities for advisers who do provide incredible value to clients. At Stanford Brown, we are incredibly passionate and are strong believers in the value of advice. This requires businesses to be quite clear about what they are doing with their clients and sharing this back to them.

The future of ongoing service is about helping to ensure clients are on track. It's about ensuring your clients make the right decisions with their investments and financial future. By focusing on the little things, as well as the big things, we're providing clients with peace-of-mind when it comes to their finances.

There's a whole new generation of advisers who believe in this future of advice.

**AK:** One of the benefits of having an in-house product is the intimacy it provides you and the client with. So, when it comes to having an in-house solution, advice becomes even more critical. For an adviser, that transparency and understanding around the investment process for an in-house product is much deeper than perhaps an external product. So, that makes ongoing advice even more critical.

**Alan Kenny is Head of Client Solutions at Ironbark Asset Management and Vincent O'Neill is Head of the Private Wealth Division at Stanford Brown.**



## Better outcomes for clients

Toby Potter outlines the benefits of introducing a managed accounts program and how, by doing so, they can lead to better outcomes for clients.

© Art\_Photo - stock.adobe.com

**W**hen advisers think about introducing a managed account program, the first incentive is often the benefits that it offers the practice or the licensee.

These benefits can include:

- ▶ Reduction in ROA generation;
- ▶ Achieving execution efficiency;
- ▶ Ensuring that all clients who should be rebalanced actually receive this; and
- ▶ The potential for revenue for licensees.

It sounds as though these benefits alone should be enough for the advice profession to make introducing a managed account program worth doing. But the real benefits from adopting this path accrue to the clients. This is because the investment outcomes available through a managed account can provide a better outcome than any of the alternative investment models.

What are these benefits for clients? In a broad sense, the key benefit are portfolios that are more likely to achieve the client's individual goals, but this is made possible by:

- ▶ Portfolios that are managed against a specific mandate with defined benchmarks;

“

As portfolio managers change their views on markets and individual securities, a managed account allows these views to be implemented immediately.

”

- ▶ Higher level of skills applied to portfolio management decision-making than is generally available in most advisers' practices;
- ▶ Customisation of standard portfolios to suit each client's specific circumstances;
- ▶ Tax outcomes that are not affected by the behaviour of others;
- ▶ Regular rebalancing of the portfolio to reflect the portfolio management team's asset allocation and investment selection views; and
- ▶ The ability to execute trades more cheaply and in a more nuanced way than is generally possible from adviser implementation.

The result is greater client confidence that the portfolio is, in fact, receiving regular attention and their goals are likely to be achieved.

The way in which these benefits apply vary from one managed account program to another. That's because the technology that operates the service and the investment approach adopted by the program sponsor, affect the potential client outcomes.

### PORTFOLIOS THAT MATCH CLIENT OBJECTIVES

There are a number of ways in which advisers have traditionally developed portfolios for clients:

- ▶ Risk Profile based – Conservative, Balanced, Growth.
- ▶ Goals Based.
- ▶ Absolute returns based – CPI + 2, CPI + 4.

Managed account portfolios enable the portfolio construction team - whether in the licensee or in a research house or investment manager - to develop portfolios with clear mandates to suit a well-defined objective. It's the

adviser's role to then marry the client's specific objectives to that general objective.

As part of the process, the adviser will need to ensure that the portfolio also accommodates any issues that are unique to that client. These typically include exclusions – for example, for tax or ethical considerations or to reflect existing holdings – and substitutions.

### ONGOING REVIEW AND REBALANCING

An important part of the role of the adviser is to ensure that client portfolios are adjusted to reflect the changing view of markets and individual investments. Traditionally, this has been hard to implement across large client bases due to time constraints for advisers and their staff and because clients can be difficult to reach. Consequently, many clients have received only an annual review of their portfolios at the time of the annual client/adviser meeting.

One of the principal benefits of the managed account service is that the portfolio manager and investment managers are charged with reviewing and adjusting the portfolio on an ongoing basis. For some programs, this is expressed as a regular rebalance process, generally quarterly. Other services operate on an 'as needs' basis, where changes to specific sectors may be made as each is reviewed rather than on a whole of portfolio basis.

Whichever method is adopted, the result should be that the portfolio more closely tracks the portfolio manager's view of the ideal portfolio to meet the mandate objectives.

### CUSTOMISATION OF CLIENT PORTFOLIOS

While this will be determined to a large extent by the technology capabilities, many managed account services – whether SMA or MDA – allow for the inclusion of customer preferences. These may be several types, including:

- ▶ Exclusions of certain securities or asset classes or substitutions. For example, arising from the fact that the client already holds that security or asset class;
- ▶ Tax-efficient decision-making, such as taking up corporate actions that offer a tax benefit only for certain investor types; and
- ▶ Overlay of ethical approaches to an otherwise standard portfolio.

Managing these customisations can be very difficult for individual advisers.

### TAX-EFFICIENT PORTFOLIOS

Because the tax position of each client is unique – rather than being a result of a pooled unit trust – their tax position enables them to avoid being affected by both the behaviour

of others and the obligations of the tax rules that apply to unit trusts, such as the obligation to pay out all realised capital gains as distributions.

### ABILITY TO IMPLEMENT VIEWS QUICKLY

As portfolio managers change their views on markets and individual securities, a managed account allows these views to be implemented immediately. This also applies where part of the portfolio is either held in managed funds or is sub-advised by another manager. As the portfolio manager determines that the manager should be replaced, it is possible to implement this change immediately.

Even better, where the assets are held by the client directly, but an external manager is determining the security selection, appointing a new manager means only the actual changes in securities need to be transacted, rather than 100 per cent of the units in one fund being redeemed, all capital gains realised and a buy/sell spread being paid on both the old fund and the new fund.

### MORE PRECISE AND CHEAPER TRADING COSTS

Generally, the costs of transactions in managed accounts are nil or much lower than in advised portfolios. This means that the client pays much less than they would if transactions were undertaken individually by their adviser.

An additional benefit, because transactions can be executed more efficiently, is that a portfolio manager who has a particular price target for an investment, may need to execute multiple trades to achieve that target. This is generally not possible where advisers are trying to execute for many clients on an individual basis and in a fair way.

### SUMMARY

All the benefits listed above mean that client portfolios can be managed more precisely and generally more cheaply through managed accounts than through the traditional way of individual transactions executed by advisers on client review.

**Toby Potter is the Chair of IMAP.**

“

The result is greater client confidence that the portfolio is receiving regular attention and their goals are likely to be achieved.

”



© Joshua Hibbert - unsplash.com

## UPCOMING EVENTS

### AUGUST 2019

#### IMAP PORTFOLIO MANAGEMENT CONFERENCE 2019 – SYDNEY

**When:** 6 August 2019, 8:30am-5pm

**Where:** Amora Hotel, 11 Jamison Street, Sydney

The IMAP Portfolio Management Conference 2019 will take place in Sydney and Melbourne and is designed to provide client portfolio investment managers with insights and information that they can use to manage portfolios. The Sydney conference will have a focus on issues such as asset allocation, tactical and dynamic positioning, and manager selection.

#### IMAP PORTFOLIO MANAGEMENT CONFERENCE 2019 – MELBOURNE

**When:** 22 October 2019, 8:30am-5pm

**Where:** The Pavillion Room, Arts Centre Melbourne, 100 St Kilda Road, Melbourne

The IMAP Portfolio Management Conference 2019 will take place in Sydney and Melbourne and is designed to provide client portfolio investment managers with insights and information that they can use to manage portfolios. The Melbourne conference will focus on issues such as security selection and blending, and risk management.

IMAP hosts leading managed account educational events, including webinars for dealer principals and advisers, advice roadshows, practitioner forums and the Responsible Manager Masterclass. For more information, go to [imap.asn.au](http://imap.asn.au)

### 2019 IMAP EVENTS

Make sure you mark these events in your diary now!

#### SEPTEMBER

- ▶ 17 September, Responsible Manager Masterclass

#### NOVEMBER

- ▶ 11 November, Responsible Manager Masterclass
- ▶ 13-14 November, InvestTech 2019

\* Dates and events may change. Venues still to be confirmed.

For more information on these events or to register your attendance, go to [imap.asn.au/events](http://imap.asn.au/events) or contact Jenny Phimleut at [jenny.phimleut@imap.asn.au](mailto:jenny.phimleut@imap.asn.au)

# PERSPECTIVES

IMAP kindly acknowledges its 2019 sponsors



MACQUARIE



præmium



BetaShares  
Exchange Traded Funds

Colonial  
First State



HUB<sup>24</sup>



Ironbark  
ASSET MANAGEMENT

iShares<sup>®</sup>  
by BlackRock

JANA

La Trobe  
financial

Lonsec



MORNINGSTAR<sup>®</sup>

netwealth



PENGANA  
CAPITAL



RALTON  
ASSET MANAGEMENT  
EST. 2009

XPLORE<sup>™</sup>  
WEALTH

Zenith<sup>™</sup>  
Investment Partners



ZURICH<sup>®</sup>

Contact us: Jayson Forrest M: 0416 039 467 E: [jaysonjforrest@gmail.com](mailto:jaysonjforrest@gmail.com)