



## IMAP Independent Thought Podcast

### Episode 44: The Backbone of Effective MDAs

In this episode join our host Emily Barlow (Perpetual Private) with Michael Karagianis (JANA) and Adrian Vidotto (Strategic Wealth) as they discuss:

- The partnership between JANA and Strategic Wealth
- Why MDA's have become central to Strategic Wealth's model
- Emerging themes shaping their advice approach

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#### **Emily Barlow (Perpetual Private) 0:19**

I'm Emily Barlow from Perpetual Private, and today we're joined by two guests. Michael Caradianis from Jana, who many of you will know as a leading asset consultant in the managed account and family office space, and Adrian Vidotto, director and partner at Strategic Wealth, a Melbourne-based advice practice that recently won the boutique licensee of the year at the IMAP Awards.

In today's episode, we'll be unpacking how their relationship works, why MDAs have become central to Strategic Wealth's model, and some of the emerging themes shaping their advice approach.

Welcome to the podcast, Adrian and Michael. So let's get started with the relationship. And Adrian, I'll start with you. What is it that made Jana the right consultant for your business and how did you go about selecting them?

#### **Adrian Vidotto (Strategic Wealth) 1:06**

Yes, look, we first started our journey back in about 2018, we were looking for an asset consultant that we felt was large enough to deal with what was happening in the world and had the breadth and research behind them. But we're also nimble enough to work with financial advisor firms. We interviewed quite a number of different businesses and asset consultants, and we felt that many out there were very small businesses at this particular point and didn't have the breadth that Jana had. So we really liked their approach and what they what they did as well. We found they were quite good to work with. Obviously we were a new business venture for them as well, focusing on the financial advisor space, which was which was good.

So we worked well, we were both on the path together in working out what the best way is to work with our clients.

**Emily Barlow (Perpetual Private) 2:08**

And Michael, from your perspective, can you walk us through how the partnership works?

**Michael Karagianis (JANA) 2:15**

Certainly. Adrian mentioned that it was a bit of a new step for both of us. I joined JANA in 2019, and in fact, Strategic Wealth was our first managed account client at that point in time. And it really was we spent a bit of time actually understanding what they needed, what we could provide. And I think that turned together very nicely.

I mean, at the end of the day, our role is to help Strategic Wealth deliver a set of portfolios in the managed account space that meets their client needs. And I think that's very important. We work with advisors to build something that's very bespoke, that suits them, not what suits us. And so, you know, that that is really about delivering a service that is very tailored to the individual advisors' needs.

And in the case of Strategic Wealth, there were certainly some nuances that we helped them on an ongoing basis, our role really is to provide that expert input into the investment committee, be part of the decision-making process. Once the investment committee makes decisions on investment portfolios, then to extend that into implementation, reporting, and ongoing provision of IP to evolve the portfolios over time. So it's been a very rewarding relationship from our point of view.

**Emily Barlow (Perpetual Private) 3:48**

And I think that brings us nicely on to MDAs themselves and why choose that framework. So, Adrian, you have now successfully embedded them into your practice. What led you to using that structure in the first place?

**Adrian Vidotto (Strategic Wealth) 4:02**

When we looked at it, obviously MDAs had been around for a while, and SMAs were probably a bit in Europe in that space, and what advisors were using, we looked at what was offering, and we deal with a lot of high net worth clients, so we didn't want the feel of the client just getting a product. We wanted to feel like they were getting a service that met their particular needs. Part of that service was obviously the transparency and understanding what was happening within the portfolio, which we felt that MDAs could deliver better at the time. Also we felt different investment opportunities were available in the MBA, we had less restrictions on us compared to what an SMA offering was.

So we incorporated gold within our portfolios as a direct ETF. We'd also incorporated private equity and other alternatives. Private equity was obviously problematic at the time because it's monthly liquidity, so liquidity is an issue. So that what we found that having that additional investment capability and that look and feel of a service rather than a product was what really what our clients really enjoyed about the service.

**Emily Barlow (Perpetual Private) 5:22**

And Michael, if you look at your client base more broadly, what advantages do you see to MDAs in terms of governance, consistency, and client outcomes?

**Michael Karagianis (JANA) 5:33**

We're genuinely agnostic between MDAs and SMAs. We've got clients that successfully use SMAs, strategic wealth, and a few other clients use MDAs. and there are pros and cons associated with them. I'd say it's a case of horses for courses. And when we get asked about the advantages and disadvantages, we're very happy to go through those. And I clearly identify that MDAs will have a role for some clients that we deal with, but perhaps are not as suited for others. But I do think picking up on some of the points that Adrian mentioned there, that one of the things that we as advantageous with MDAs is probably the flexibility in terms of portfolio construction.

It's a little easier to incorporate less liquid strategies into the portfolio, and the strategic wealth portfolios do have a sleeve of less liquid private equity exposure, for example. It's also, and I think this is probably more of a practice benefit, but you know, when you set the MDA structure as a model portfolio, it's not set in concrete for individual clients.

It's the ability for the advisor to actually treat individual clients who want something based on the MDA, but perhaps with some nuance to be able to treat them more individually. An example of that might be if we have a portfolio mix associated with the Australian equity sleeve, but a client comes in with their own Australian equity component, it's easier to strip that bit out and replace it. That's very hard to do within an SMA structure.

So I think the flexibility of it within an overall structure that is still very strongly governed by the investment committee, I think is uh a great balance, I guess, in terms of the deliverability of the benefits of managed accounts.

**Emily Barlow (Perpetual Private) 7:31**

So, Adrian, once you made the decision to use MDAs, it comes down to execution. So, what are their services or processes that you put in place to make that model work smoothly?

**Adrian Vidotto (Strategic Wealth) 7:43**

Yeah, so we obviously put in place all the compliance documentation that that needed to work around that and then communicate that to clients. I think one of the key things was that when working through with clients, we took a very detailed approach in ensuring that that the MDA was appropriate for clients. So we took them through quite a detailed questionnaire about what they were looking for, what clients were looking for from an investment point of view, and making sure that really, really met what the client was looking for from their goals and objectives.

We also then in the communication of that to clients would educate them on the process of how the MDA worked, what was the structuring and prepared a documentation pack around that as well. And that that provided because people have people had a different lot of questions because it was a different approach to what they've been doing in the past.

A lot of the clients that progressed across were more self-selected type clients who had portfolios were a little bit more model type portfolios or a bit more, which tended to vary a little bit as portfolio drift occurred. So we focused a little bit on, you know, really putting out to clients around and educating clients around the process.

But then also, I mean, internally, we prepared documentation around that, our advice pack, you know, the way we presented it to clients as well was extremely important.

But then internally as well, how we delivered that and how we implemented that for clients as well was important to make sure that, particularly with where we had clients being in a direct portfolio as well, making sure that that we limited transaction costs through that process as well. That was the advantage of at the time we were able to move, you know, if clients owned an investment that was in already in the MDA, we were able to transition them across and incur no costs on that as well. So that worked that worked really well from that perspective.

Yes, that was sort of the main the main things that we've looked at and done in that particular space. But the other part we've probably done too is also looked at keeping clients informed. And part of that is the cord of the reporting that we send to clients. And that's really helped clients. It means now when we get to the client review meeting, they're not going through all the questions around the portfolios and how things got how things are performed and how things are done because they've already got that information up front.

So we found that that's really worked well for our client base.

**Emily Barlow (Perpetual Private) 10:08**

And Adrian, I understand you set up an investment committee. Was that as part of this process, or did you have an investment committee in place already?

**Adrian Vidotto (Strategic Wealth) 10:15**

We said that it was part of the process. So the first step was we uh we worked with Father, our MDA provider, to create an investment charter. Um, so obviously a framework that the committee would operate within. And that kind of set out the boundaries around what we're looking for from a portfolio sense, what we're looking for from a return objective, and also around what any limitations are that we would potentially place in the portfolio.

We find the committee works really well. We set up a committee which included obviously someone from our practice. Peter Wilson was the original chair, and I've taken over since he retired 18 months ago. We also then have Jana on the committee, Philo sit on the committee.

We also employed and pay for ourselves an independent committee member as well. And we find that independent member just brings a different insight into the world as well. So they're not necessarily a person who's doing what we do from a day-to-day sense, but they're sitting objectively out to the side offering their input and opinions. And we find that that's actually clients enjoy and like that element of our portfolios. And the way the committee's structured, having an independent person that sits there on that. The committee structure itself, as well, that we meet obviously once a quarter during COVID, we met a little bit more frequently than that as well. So I think that was one of the areas where, you know, as a committee, we're able to communicate and meet as required as events unfolded in the markets as well.

**Emily Barlow (Perpetual Private) 11:46**

And Michael, just looking more broadly at advice practices that you that make the decision to adopt either MDAs or SMAs, it can be done with varying levels of success. So is there anything that you would say are the non-negotiables in terms of process and governance once a practice is decided to adopt these structures that enables them to be more successful with that being embedded into their business?

**Michael Karagianis (JANA) 12:13**

Yes, I think one of the benefits of the managed account framework is that it clearly delivers a lot of efficiency to practices clearly in terms of implementation of portfolios.

But you've got to have a very clear and established investment governance process. And that goes to who comprises the investment committee, who's tasked with providing making decisions with that investment committee, how that investment decision is actually then implemented into portfolios.

So it does require not the rigidity, but certainly the governance structure and the formality of process so that you know investment decisions are clearly articulated, and so you get a decision that is then formally implemented in portfolios.

And I think that process is probably a non-negotiable, certainly as a model manager or a consultant, we're very keen to make sure that is clear that it's not us making the decision, we're part of a decision-making forum, but that is clearly understood. And from an MDA perspective or an SMA perspective, either the responsible entity RE or the MDA licensee is very and keen to make sure that the governance processes, once established, are followed religiously, time after time, so that you get this repeatability of investment decision-making process.

***Emily Barlow (Perpetual Private) 13:51***

And that governance framework ultimately feeds directly into portfolio outcomes, as you've just mentioned, Michael. So let's talk a little bit more about how these portfolios are actually constructed. Adrian, your MDAs include direct equities and alternatives. You've already mentioned that they also include gold, which not all MDAs will offer. Why was including these asset classes important to you? And what value does it add to your clients?

***Adrian Vidotto (Strategic Wealth) 14:19***

Definitely. I think particularly with the direct equity space, a lot of our clients already had that within their portfolios. So that was that was one of the big things clients liked was actually being able to view and see the stocks that they own. They liked that transparency of saying, oh, I own BHP or rare. Not every client's like that, but a lot of our clients like that element of being able to have that transparency and have the discussion.

So, why? And BHP shares or C selling it. It's for some clients, it's a bit of a bit of a discussion point around that. So that that element worked really well, particularly in transitioning clients across into the MDA, having that flexibility there. The other element, too, in terms of uh alternatives, was we felt particularly if we were going to be able to leverage off the capabilities of Jhana and what their research capabilities had, then it was felt that we should enable our clients to access that and utilize that information and access portfolios and investments that they would value it as well.

So that's where having the alternatives around private equity, um, which has worked well too, having that with across the across the portfolios. And we find particularly in that element, not just being a pure equity and bond portfolio, it also helps from a return capability and providing a smoother return outcome. I think that that's been one of the return objectives is to sort of focus on, you know, delivering a smoother return for our clients and trying to avoid a bit of the volatility in markets and having the alternatives in in the portfolios have helped us helped us do that over the years.

***Emily Barlow (Perpetual Private) 16:00***

And Michael, across Jana's client base, how is the appetite for direct equities and alternatives evolving?

***Michael Karagianis (JANA) 16:07***

Yes. Well, certainly in the case of alternatives we were a major proponent of alternatives, have been for many years in our institutional clients and some of our

ultra high net worth family offices and so on, where they can really afford an illiquidity exposure within their portfolios. We we're very keen to promote that where we can within managed accounts.

There is obviously issues in terms of accessing strategies that have the necessary liquidity that can fit into an illiquidity sleeve, if you like, or a managed account portfolio to facilitate that exposure. And that's something that we do, continually work with fund managers and advisors.

In general, I'd say there is demand for alternatives. Where we get pushback from some advisors that we work with is probably in regards to the cost of those alternatives. That can be quite expensive. And when you're trying to fit that into a managed account portfolio, the overall cost structure is an important consideration and can you know make or break the attractiveness of the managed account to the end client.

So generally we find that there's probably a lower level of exposure to alternatives than we'd ideally like to see. But we understand that there are very good reasons for that. And hence, as a consequence, we often find that for many of the advice groups that we work with, they'll have a relatively smaller exposure to alternatives within a managed account. But then for certain clients, they'll look to incorporate private equity, private credit, other more direct asset exposures outside of that in terms of more satellite investments.

Direct equities is an interesting one. We have clients that like direct equities within a managed account framework, others that prefer manager structures, some that have a combination thereof. Strategic wealth portfolios actually have some direct equity in the Australian equity space and some manager trust structures. We are very happy to facilitate that.

We don't pick stocks, but certainly there are fund managers that we are happy to recommend into that space that will offer either a trust structure or they'll offer a direct model that can be incorporated to provide that direct equity exposure. And you know, I think that's just a case of what the advisor is really keen to put in front of their clients and what they think the appetite is for it.

***Emily Barlow (Perpetual Private) 18:42***

And Adrian, just going back to that direct equity question, is that something that you're doing in-house, selecting those stocks, or are you partnering with a manager to do that part of your process?

***Adrian Vidotto (Strategic Wealth) 18:51***

Yes, and we partner with two managers. So we partner with them and they basically work in an environment where they provide the stock portfolios to Philo and then Philo implement that across our managed accounts.

***Emily Barlow (Perpetual Private) 19:04***

Moving on a little bit in terms of portfolio construction, another important consideration is client preferences, and this is where values may come into play and their views on how that aligns to their investments. Adrian, how are you helping them navigate this alignment? And what have you learned from this process?

***Adrian Vidotto (Strategic Wealth) 19:27***

Yes. I think the first thing we do from that that process is ask clients the question. I think going back many years, this was an are advisors just wouldn't have even thought to ask the question in that respect. And going back to probably what part of

our original process is we have this, what we call our investment preferences sheet. And that's one of the areas that we raise is, what are your values and what are you looking for invest from particularly from an ESG capability?

Some clients have zero interest, others are " I just don't want to invest in tobacco stocks or uranium stocks or armament stocks or those sorts of things". Others are more passionate and they want to invest in certain projects that do good for the world. So, our first and foremost is obviously to ask the question, have the discussion with clients as well, and then sort of work through how can we achieve those objectives for clients in the portfolios that we manage? We recognise that it can be difficult to be very pure in this particular space, and a lot of funds and managers are experiencing that at the moment.

So, we articulate to the clients that we'll try our best to cover those areas as well, to cover their preferences as well. But where we can't, we let them know that too, because obviously, you know, we need to be very careful in not putting ourselves out there as, yes, we'll cover everything and then and then we don't. So, that's one area of the discussion, walk through the framework.

And then for clients who have an interest in this space, and we've got some portfolios that have a bit more of a focus in this area, and we can implement that for clients as needed, but we can also take it to another level. And if there's specific stocks that the clients don't like to own, particularly in the Australian space, then we can exclude those from the portfolios altogether. But also, it's around using managers where we can that meet those client objectives as well.

***Emily Barlow (Perpetual Private) 21:29***

We're running up on time already. So, I'd like to wrap up by asking you both the same question. And that is what is the one portfolio, client, or market trend you think advisors should be paying close attention to over the next 12 months? And perhaps Michael will start with you on that one.

***Michael Karagianis (JANA) 21:51***

I think it's about maintaining or focusing on the decision-making process and the robustness of that decision making process in an environment where uncertainty is exceptionally high and the temptation to become increasingly reactive to market volatility is there.

And one of the things going back to the earlier question about governance and the non-negotiables, I think the good thing about a managed account process setting in place a investment decision-making framework is that it provides guardrails where you clearly have a process of reaching a decision, but you also have flags wrapped around the portfolio that really, I guess, prevent you from doing things that you know you shouldn't do when you think about it very carefully, you step back from the portfolio.

So, it's really meant to provide, I guess, is a framework to avoid the portfolios running off the rails. And I think that's the one thing that we always encourage clients in periods of volatility. It's not so much what to do, but it's often, you know, avoiding doing too much to portfolios, because you can find that reactive decision making in this type of environment can actually destroy value in portfolios rather than add value.

So, I'd say that is probably one thing that we are very mindful whenever we get a significant upturn in volatility to be very clear with our clients about.

***Adrian Vidotto (Strategic Wealth) 23:23***

And Adrian? Probably similar lines. I think we've had three to four years now of pretty strong equity market returns. So, I think clients now are going to be focusing on, and then that's kind of obviously we educate clients along the way, but going to be a bit of an expectation that this continues. So to be having discussions with clients and reinforcing around their long-term objectives and what they're looking for, because there's no doubt, you know, particularly we've had new clients that have entered into your practice over the last few years, they haven't experienced market downturns yet. So it's sort of reinforcing the goals and what you're trying to achieve for them and to guide them through the volatility that that's most likely to come throughout the year.

***Emily Barlow (Perpetual Private) 24:02***

Michael, Adrian, thank you so much for joining me today.

It's been great to unpick how a strong advisor-consultant relationship can support client outcomes and that governance structure that underpins it all. Congratulations again on the IMAP Boutique Licensee of the Year award.

And to our listeners, thanks for tuning in. If you enjoyed today's episode, please share it with your network and join us next time as we continue exploring insights to help shape better client outcomes.

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