



# Outsourcing portfolio construction supports your strategic advice offering

## Increasing time, lowering risk

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# Presenters



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# Today's message

## Benefits of outsourcing portfolio construction



Reduced compliance burden



Reduced administration burden



Minimising compliance risk



More time for your clients



Increase profitability



# Agenda

1. Challenges facing the modern adviser
2. Practice value proposition
3. The cost of investment advice
4. Portfolio outsourcing options – Managed Accounts/Multi-Manager funds
5. CPD – polling questions
6. Walk through your client engagement tool
7. Questions

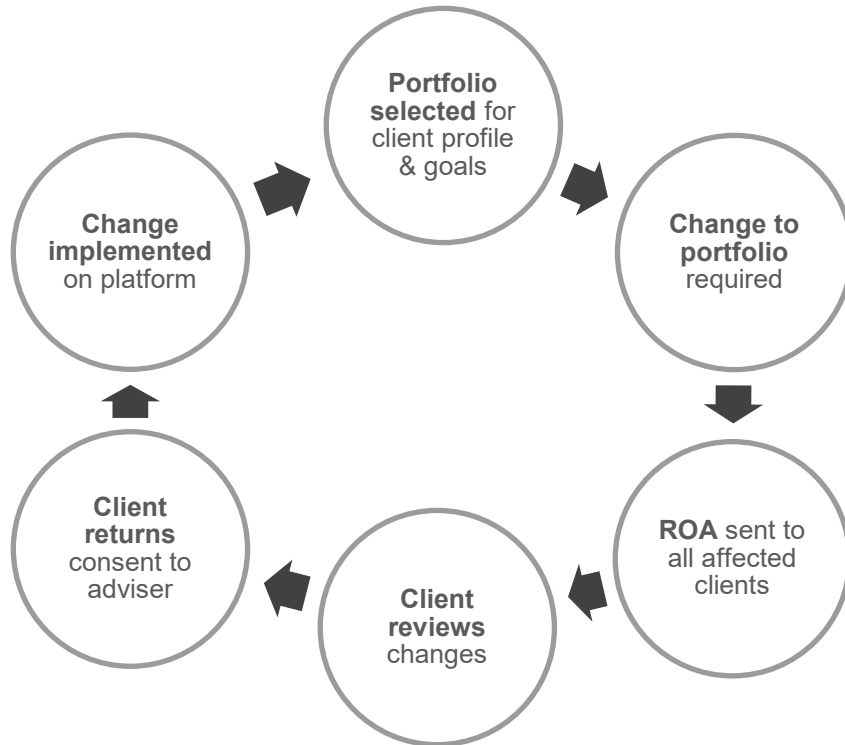
# Challenges facing the modern adviser





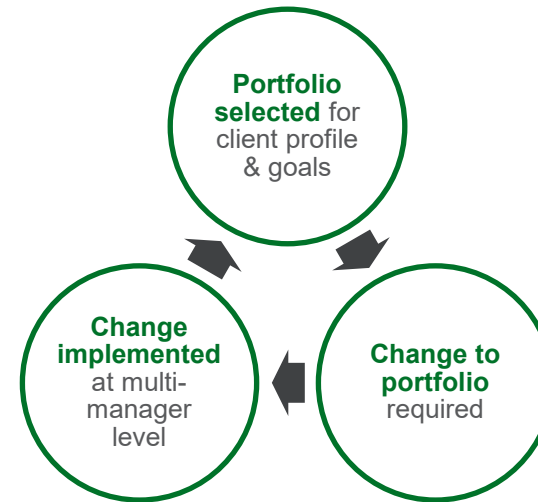
# Outsourcing portfolio management

## Traditional Model



- › Clients wanting highly tailored portfolios
- › Clients who want to be involved in the investment process
- › Clients who are happy to pay more for the personalised service

## Multi-Manager Model



Provides a professionally constructed portfolio that has true diversification – across multiple managers, investment styles and asset classes.

## Managed Account Model



Advisers can combine personalised service with robust portfolios and seamlessly deliver a comprehensive solution for their clients.



**Establish strategic portfolios that are available across the risk profile spectrum for clients.**



**Make underlying investment changes.**

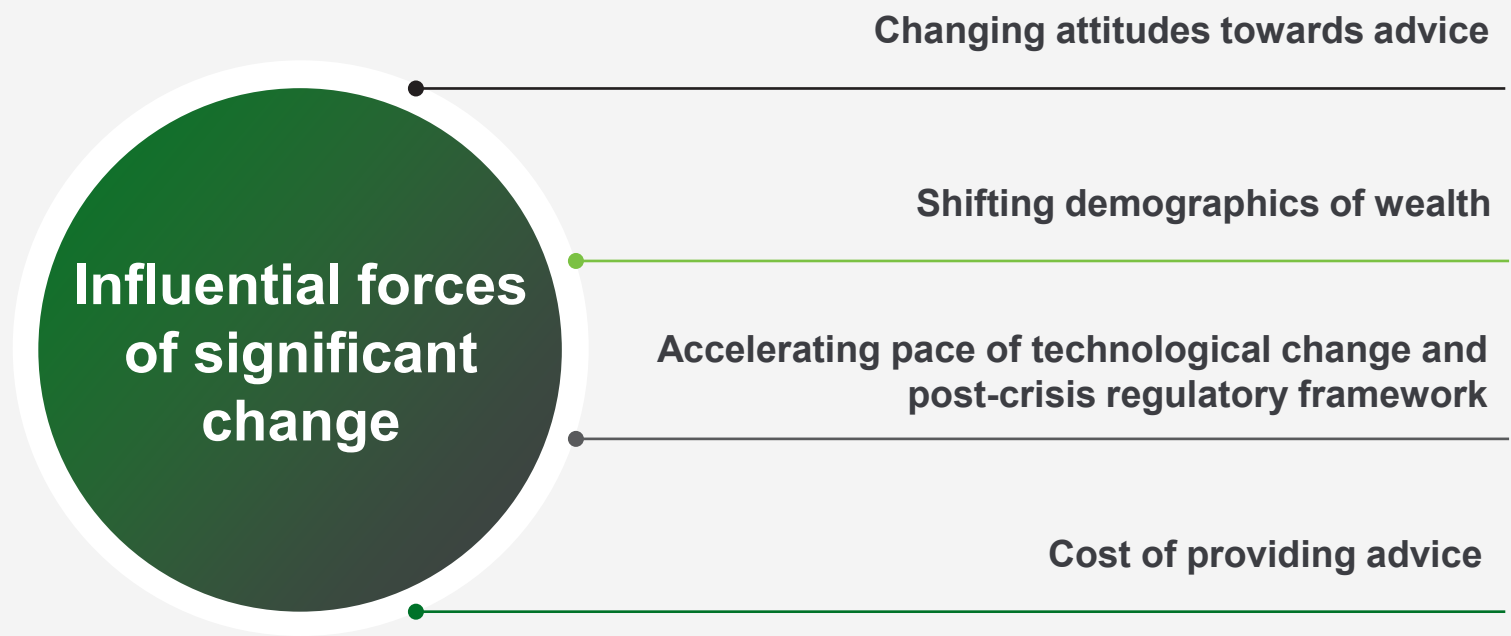


**Rebalance as required.**

**All without the need for RoAs**



# Disruptive Forces Shaping the Future of Financial Services



Source: State Street Global Advisors' Research Report Practice Management, *Model Portfolio Solutions and the Client Experience*, 2019



# Can advisers pivot toward their goals and improve their value proposition

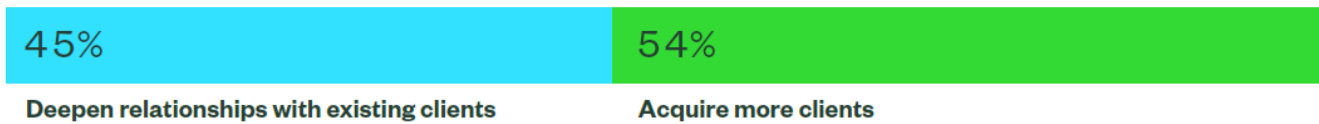
- 1 Time for clients
- 2 Service as a Differentiator
- 3 Scalability for Real Growth
- 4 Credibility of Investment Offering
- 5 Risk Mitigation in a heightened Fiduciary Environment

Source: State Street Global Advisors' Research Report Practice Management, *Model Portfolio Solutions and the Client Experience*, 2019



# Business goals are not aligned with actual time spent

## Top 2 Business Goals



## Time Allocated to Each Activity

Portfolio Management	23.1%
Financial Planning	15.7%
Client-Facing Activities	14.7%
Investment Management	13.7%
Administrative/Compliance Paperwork	11.9%
Prospecting New Clients	11.3%
Training/Professional Development	9.6%

Source: State Street Global Advisors' Research Report Practice Management, *Model Portfolio Solutions and the Client Experience*, 2019





## Do you run your own portfolios?

Investment selection

Investment philosophy

Investment committee

Rebalancing and corporate actions process

Engagement with BDM's and clients

Fair client implementation

Documentation process

**If I'm not doing this, am I creating risk in my business?**

**Is this appreciated by my clients?**

# Does outsourcing weaken the adviser's value proposition?

Advisers' concerns shape the value proposition they put forward to clients

## Lack of Tailoring

“ Well obviously it's the lack of individual tailoring to specific situations. So that means it doesn't cater for people's particular ethical concerns; it doesn't address unique tax situations that a client might have.”

— U.K. Customizer

## Not Personalised

“ For us it's not a question of volume, it's a question of quality. And one-on-one relationships with the clients, and very bespoke service. That's our business model.”

— U.K. Customizer

## No Differentiation

“ We may lose uniqueness by using model portfolios. Anyone can use the model portfolio and get the same results because they are open.”

— Japan Customizer

## Less Imaginative

“ I think we're trying to be more imaginative than the average other self-directed investor or advisor going beyond what I'd call the plain vanilla approach, with more imaginative investment strategies.”

— U.S. Customizer

Source: State Street Global Advisors' Research Report Practice Management, *Model Portfolio Solutions and the Client Experience*, 2019



# Client expectations of financial advice

My financial adviser understands my needs and goals

I trust my financial adviser completely

My financial adviser is integral to the well-being of my financial life

I consider my financial adviser my wealth management partner



# Practice Value Proposition



# Re-evaluation of CVP

## Key requirements

### STEP 1

- › Review/update client value proposition
- › Revisit practice segmentation philosophy / Review options for low touch vs high touch
- › Analyse time spent on Investment management vs outsourcing
- › ICR/fee objectives
- › Portfolio transparency
- › Competitive proposition (especially industry funds)
- › Utilise fund manager expertise/trusted partner

### STEP 2

- › Match licensee risk profiles/sharing your AFSL's Strategic Asset Allocation (SAA)
- › Tailoring multi-manager portfolios to your SAA requirements

### STEP 3

- › Meeting Licensee & Practice commercial requirements



# The cost of investment advice





## Time and revenue case study



Preparation for investment client reviews = 1.5 hours



Let's say you meet all of your 150 clients per year



150 clients x 1.5 hours = 225 hours per year



Say you charge \$200/hour



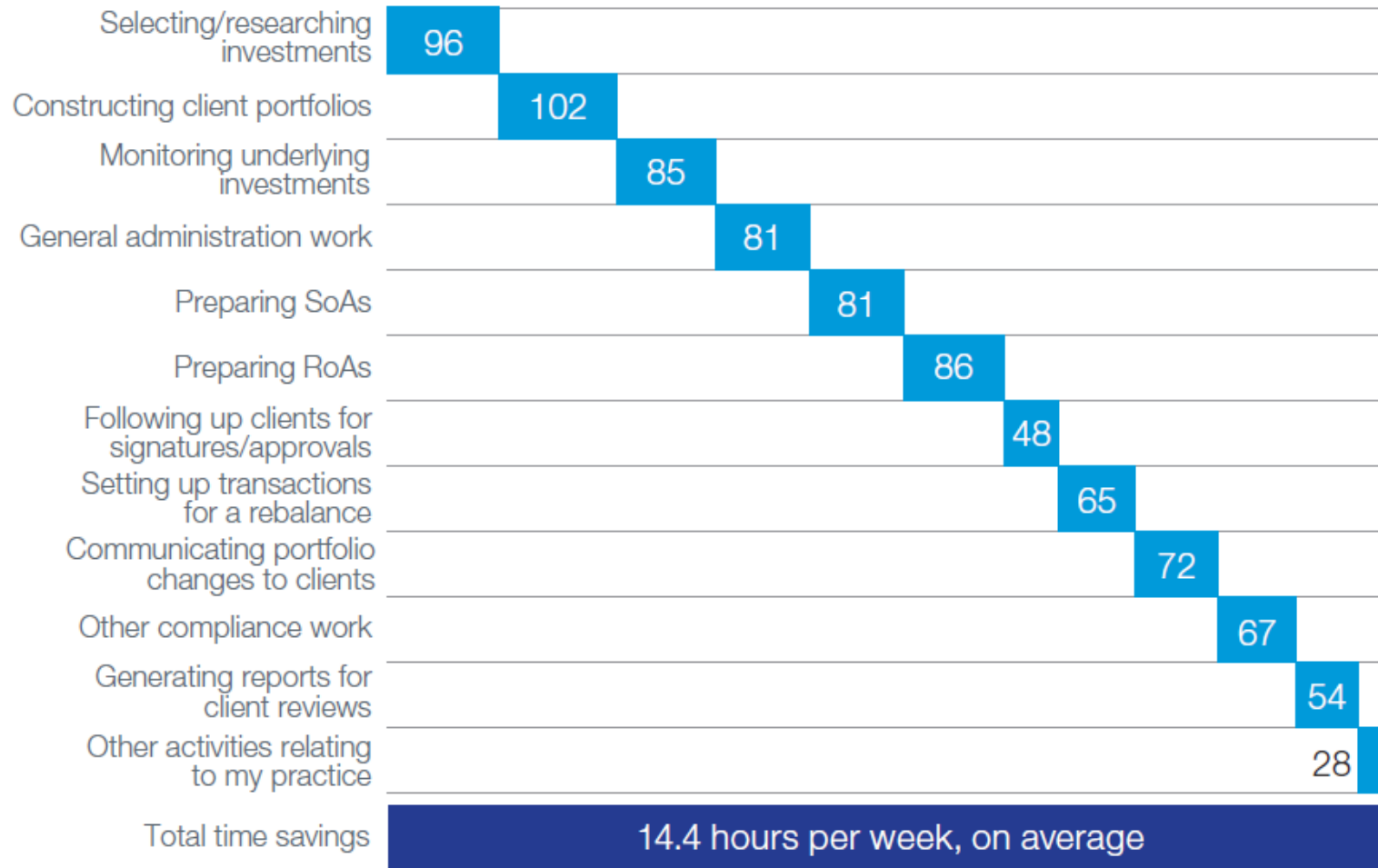
225 hours x \$200

**= \$45,000 cost for investment portfolio advice**

A CoreData survey analysis showed around 75% of advisers who used an outsourced portfolio solution saved 150 hours a year!

**= \$30,000 pa in extra revenue**

# Where the time was saved



Source: BT, Investment Trends, 2017.



# How efficient is portfolio management in your practice?

~ 3 types of investment management utilised within a practice



~ Individual client portfolio management (bespoke)

~ Outsource portfolio management (MDA or multi-manager)

~ Combination of above



# Portfolio outsourcing options

Managed Accounts/Multi-Manager Funds



## Portfolio outsourcing options

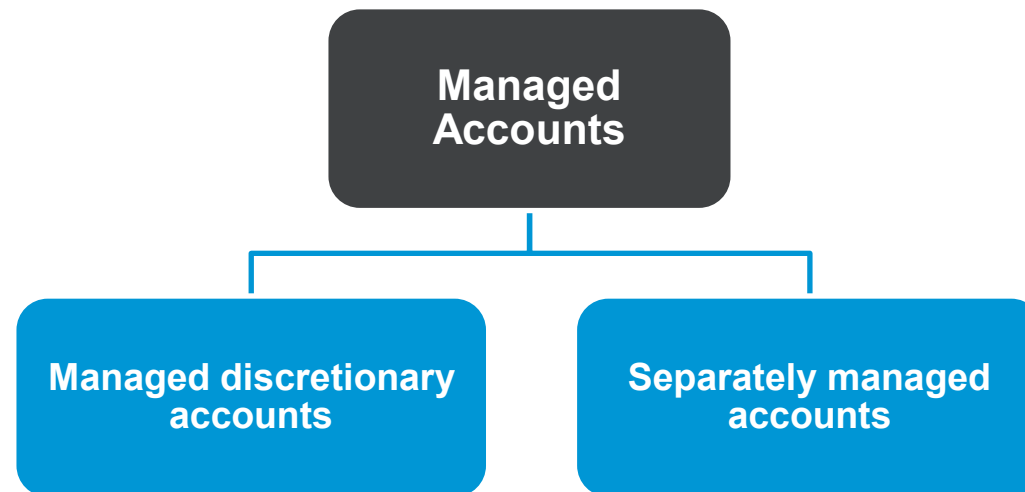
Managed  
Accounts

Multi-Manager  
Funds

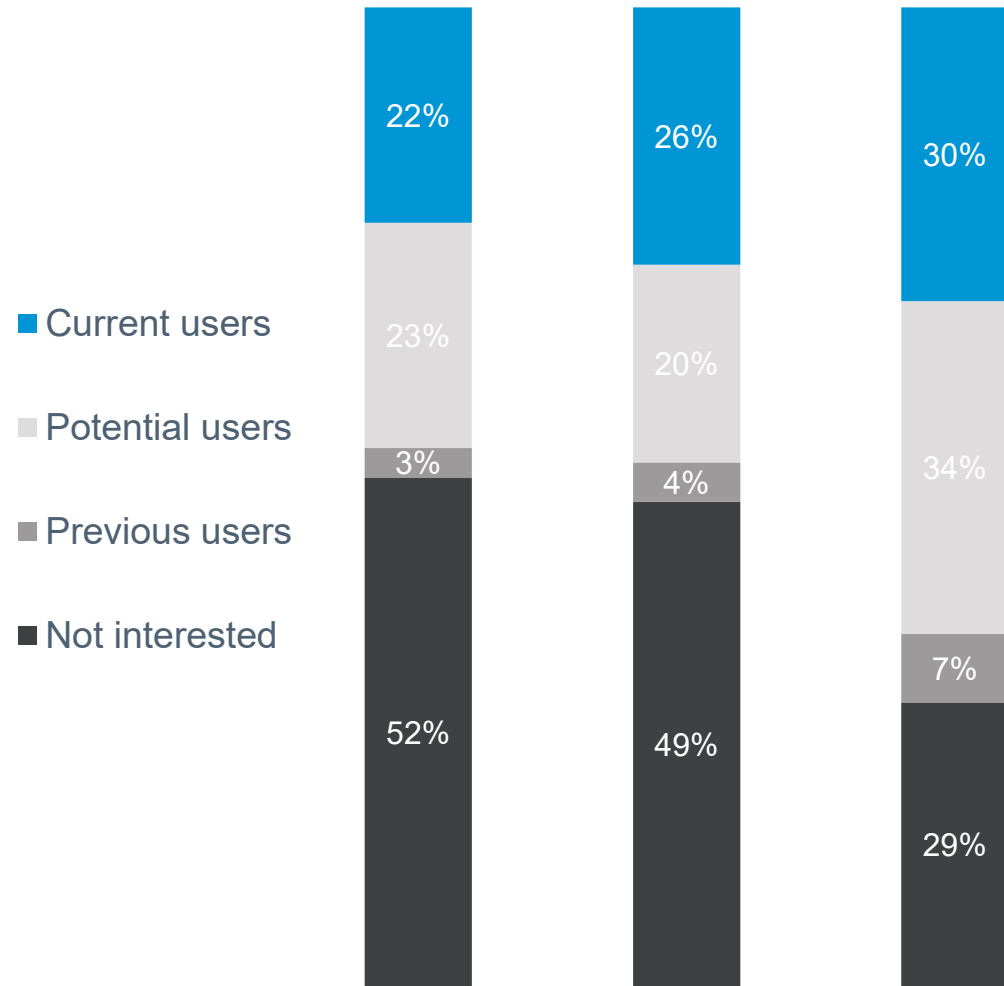
# What is a Managed Account?

- › Non-unitised portfolio of assets
  - Direct ownership of assets not units
  - Regular re-balancing to keep asset allocation within limits
  - Structure can allow tailoring/customisation

## Two most common types of Managed Accounts



# Usage of Managed Accounts/Blended Multi-Manager across the industry



Source: February 2018 Investment Trends Managed Accounts Report based on a survey of 841 planners





# Why Managed Accounts/Blended Multi-Manager portfolios?

## Adviser

- Scalability
- Risk reduction, better compliance
- Professional portfolio management
- Transparency
- Efficiency
  - no ROAs to re-balance
  - no ROAs for corporate actions
- Remove implementation delays
- More time on value adding activities
  - Strategic advice
  - Client education
  - Finding new clients
- Improved client engagement

## BENEFITS OF OUTSOURCING

## Client

- Professional and active portfolio management
- Portfolios reviewed automatically
- Timely responses to changing markets (no ROAs)
- Beneficial ownership of shares
- Tax effective
- Transparency – look through holdings
- Comprehensive reporting
- Reduced trading costs

# What are advisers saying about Managed Accounts/Blended Multi-Manager Portfolios?

Allowed us to switch client communications from an admin and paperwork focus, to a marketing and education strategy.

The benefits are immeasurable and its as simple as that.

Removing implementation work allows us to focus on education, keep clients updated on changes, and why and how these affect their outcomes.

The successful MA advice practices realise clients don't want portfolio construction specialists – they want advice specialists.

The communication outcomes are first class which improves client retention, compliance and engagement.

Source: IFA Magazine, April 2017.



# Why a Multi-Manager approach makes sense

1

## Risk controls

- › Effective portfolio diversification
- › Active risk budgeting
- › Stress testing & scenario analysis
- › Liquidity testing

**Benefit is that you can “sleep at night”**

2

## Portfolio maintenance

- › Portfolio monitoring & rebalancing
- › Manager changes
- › Ongoing manager and strategy research
- › Effective asset allocation

**Spend more time growing the business**

3

## Service + reporting

- › Access to investment specialist
- › Market outlook and insights
- › Portfolio modelling
- › Investment performance attribution

**More effective face to face time contact with clients**

# CPD – polling questions

1. Which outsourcing options have we discussed today?

- A. Direct shares and managed accounts
- B. Multi-manager and direct shares
- C. Multi-manager and managed accounts

2. What are the investment managed types we discussed today?

- A. Individual client portfolio management (bespoke)
- B. Outsource portfolio management (MDA or multi-manager)
- C. Combination of A and B

3. A multi-manager approach makes sense because?

- A. Portfolio maintenance
- B. Risk controls, portfolio maintenance and service & reporting
- C. Risk controls and service & reporting

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Underlying  
fund manager  
detail



Market insights  
and educational  
content



Performance  
and reporting  
capability



Fund  
rating  
reviews



Portfolio blending  
tool with  
personalised  
reporting



# Solutions to support outsourcing portfolio construction



## IOOF MultiSeries

19 fund managers & over 30 strategies & limited internal management

Blends active, passive and factor strategies

An attractive balance in the level of 'activeness' for the fees

Diversification that includes direct property, alternatives and other enhanced strategies

Delivering strong risk-adjusted returns



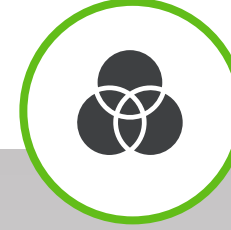
## IOOF MultiMix

57 fund managers & over 80 strategies & limited internal management

Inclusive of fully active investment management

Includes tailored niche investment strategies

Delivering strong risk adjusted returns



## Blended Multi-Manager portfolios

Constructed using a core/satellite approach (MultiSeries & MultiMix sector funds)

Blended portfolios aligning risk profiles and SAA

Affords advisers an extra value-add to enhance the client value proposition

A portfolio blending tool is available for advisers

Blended portfolio quarterly performance reporting

# Investment choices



**IOOF MultiSeries** is our range of multi-manager funds that are predominantly actively managed and at a lower cost when compared to other active funds.

For those that prefer to have access to our comprehensive menu of active managers, **IOOF MultiMix** is our premium range of fully-active multi-manager funds.

Diversified funds
IOOF MultiSeries 30
IOOF MultiSeries 50
IOOF MultiSeries 70
IOOF MultiSeries 90
IOOF MultiMix Capital Stable
IOOF MultiMix Conservative
IOOF MultiMix Moderate
IOOF MultiMix Balanced Growth
IOOF MultiMix Growth

Single sector funds
IOOF MultiMix Australian Shares
IOOF MultiMix International Shares
IOOF MultiMix Diversified Fixed Interest
IOOF MultiMix Cash Enhanced
Specialist Property
Cash management
IOOF Cash Management Trust

Note: The Zenith 'Recommended' rating is applicable to the IOOF MultiSeries and IOOF MultiMix diversified funds only.

IOOF MultiMix Balanced Growth Trust awarded the 'Best Multi-Sector Fund' (2020 and 2021) and the IOOF MultiMix Australian Shares Trust awarded the 'Best Australian Shares Super Product' (2021) in the *Money* magazine Best of the Best Awards.



# InterPrac Risk Profiles



<b>InterPrac</b>	<b>Conservative</b>	<b>Moderate conservative</b>	<b>Balanced</b>	<b>Growth</b>	<b>High Growth</b>
	<b>Recommended</b>	<b>Recommended</b>	<b>Recommended</b>	<b>Recommended</b>	<b>Recommended</b>
<b>Australian Shares</b>	5.00%	10.00%	25.00%	30.00%	45.00%
<b>International Shares</b>	0.00%	10.00%	20.00%	25.00%	45.00%
<b>Property</b>	5.00%	10.00%	15.00%	15.00%	0.00%
<b>Australian Fixed Interest</b>	45.00%	45.00%	25.00%	20.00%	5.00%
<b>Cash</b>	45.00%	25.00%	15.00%	10.00%	5.00%
<b>Growth</b>	<b>10.00%</b>	<b>30.00%</b>	<b>60.00%</b>	<b>70.00%</b>	<b>90.00%</b>
<b>Defensive</b>	<b>90.00%</b>	<b>70.00%</b>	<b>40.00%</b>	<b>30.00%</b>	<b>10.00%</b>



# Multi-manager and blended portfolios



ICRs: Underlying funds  
Total Estimated  
Management Costs. For  
full fund disclosure of  
fees, please refer to the  
relevant product  
disclosure document.

<i>Growth</i>	<b>InterPrac Risk Profiles</b>	<b>IOOF multi-manager options and blended portfolios</b>	ICRs (% pa)
0-5		MultiMix Cash Enhanced Trust (0/100) MultiMix Diversified Fixed Interest Trust (0/100)	0.36 0.57
5-10			
10-15	<b>Conservative (10/90)</b>	<b>Interprac Conservative Blend</b>	<b>0.44</b>
15-20		MultiMix Capital Stable Trust (15/85)	0.53
20-25			
25-30			
30-35	<b>Moderately Conservative (30/70)</b>	MultiSeries 30 (30/70) MultiMix Conservative Trust (30/70) <b>Interprac Moderately Conservative Blend</b>	0.40 0.75 <b>0.46</b>
35-40			
40-45			
45-50			
50-55		MultiSeries 50 (50/50) MultiMix Moderate Trust (55/45)	0.45 0.83
55-60			
60-65	<b>Balanced (60/40)</b>	<b>Interprac Balanced Blend</b>	<b>0.58</b>
65-70			
70-75	<b>Growth (70/30)</b>	MultiSeries 70 (70/30) MultiMix Balanced Growth Trust (72/28) <b>Interprac Growth Blend</b>	0.50 1.05 <b>0.63</b>
75-80			
80-85			
85-90			
90-95	<b>High Growth (90/10)</b>	MultiSeries 90 (90/10) MultiMix Growth Trust (90/10) <b>Interprac High Growth Blend</b>	0.55 1.12 <b>0.95</b>
95-100		MultiMix Australian Shares Trust (100/0) MultiMix International Shares Trust (100/0)	1.11 0.90



## Blended portfolios available



These portfolios have been built to assist you in enhancing your client offering and providing a core + satellite approach when using a multi-manager investment solution. Each portfolio falls within the tolerance of your licensee's risk profile.

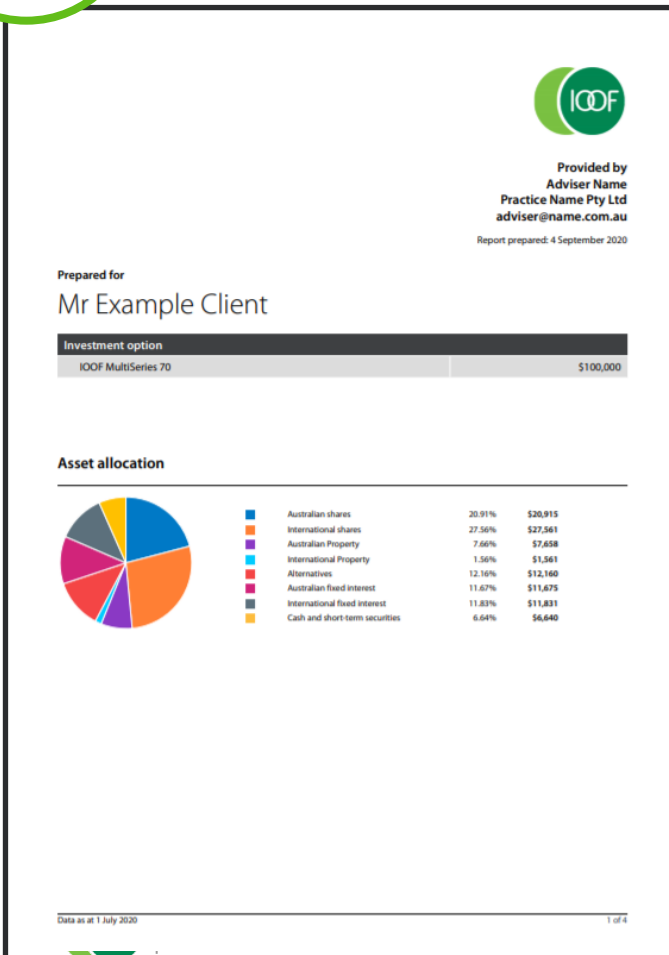
Interprac			
Risk profiles	Multi-manager blended portfolio	Allocation	Fund ICR
<b>Conservative</b>	IOOF MultiSeries 30	30.00%	0.40%
	IOOF MultiMix Australian Shares	1.00%	1.11%
	IOOF MultiMix Diversified Fixed Interest	30.00%	0.57%
	IOOF MultiMix Cash Enhanced	39.00%	0.36%
	Cash account	0.00%	0.00%
			<b>Portfolio 0.44%</b>
<b>Moderately Conservative</b>	IOOF MultiSeries 50	60.00%	0.45%
	IOOF MultiMix Diversified Fixed Interest	22.00%	0.57%
	IOOF MultiMix Cash Enhanced	18.00%	0.36%
	Cash account	0.00%	0.00%
			<b>Portfolio 0.46%</b>
<b>Balanced</b>	IOOF MultiSeries 70	61.00%	0.50%
	IOOF MultiMix Australian Shares	13.00%	1.11%
	IOOF MultiMix International Shares	4.00%	0.90%
	IOOF MultiMix Diversified Fixed Interest	9.00%	0.57%
	IOOF MultiMix Cash Enhanced	13.00%	0.36%
	Cash account	0.00%	0.00%
			<b>Portfolio 0.58%</b>
<b>Growth</b>	IOOF MultiSeries 90	60.00%	0.57%
	IOOF MultiMix Australian Shares	12.00%	1.11%
	IOOF MultiMix International Shares	4.00%	0.90%
	IOOF MultiMix Diversified Fixed Interest	15.00%	0.57%
	IOOF MultiMix Cash Enhanced	9.00%	0.36%
	Cash account	0.00%	0.00%
			<b>Portfolio 0.63%</b>
<b>High Growth</b>	IOOF MultiMix Australian Shares	45.00%	1.11%
	IOOF MultiMix International Shares	45.00%	0.90%
	IOOF MultiMix Diversified Fixed Interest	5.00%	0.57%
	IOOF MultiMix Cash Enhanced	5.00%	0.36%
	Cash account	0.00%	0.00%
			<b>Portfolio 0.95%</b>



# Adviser choice in personalised client reporting

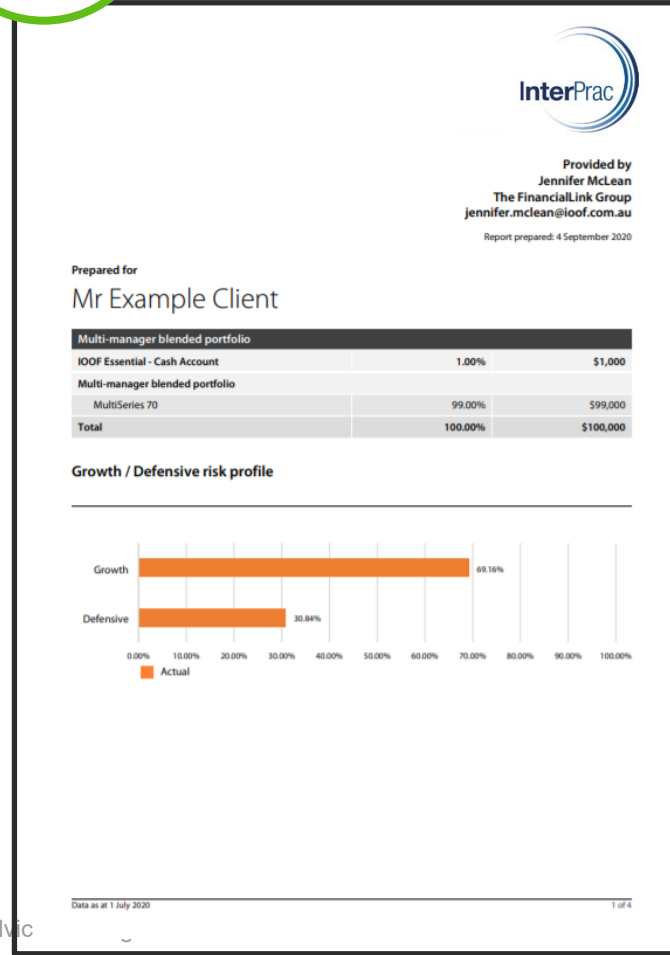
1

- No login required: Under the bonnet
- Single fund report
- IOOF branded
- Personalised to adviser and client
- CTA generic



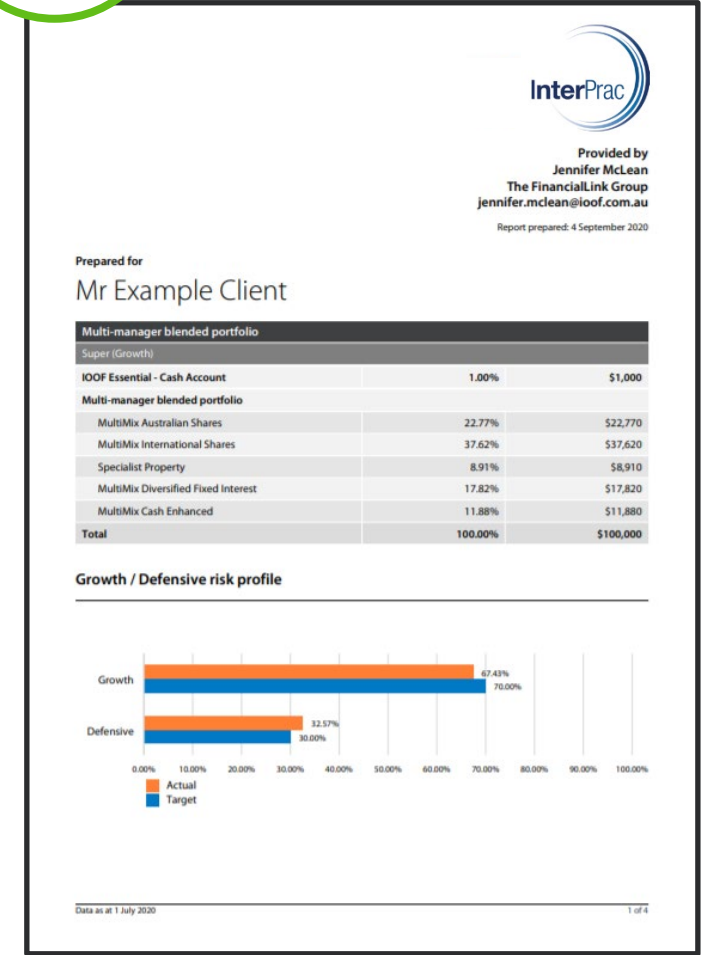
2

- Secure section: IC-blending tool
- Build your own blended portfolios
- Practice branded
- Personalised to adviser and client
- CTA practice and adviser



3

- Secure section: IC-blending tool
- Tailored blended portfolios
- Practice branded
- Personalised to adviser and client
- CTA practice and adviser



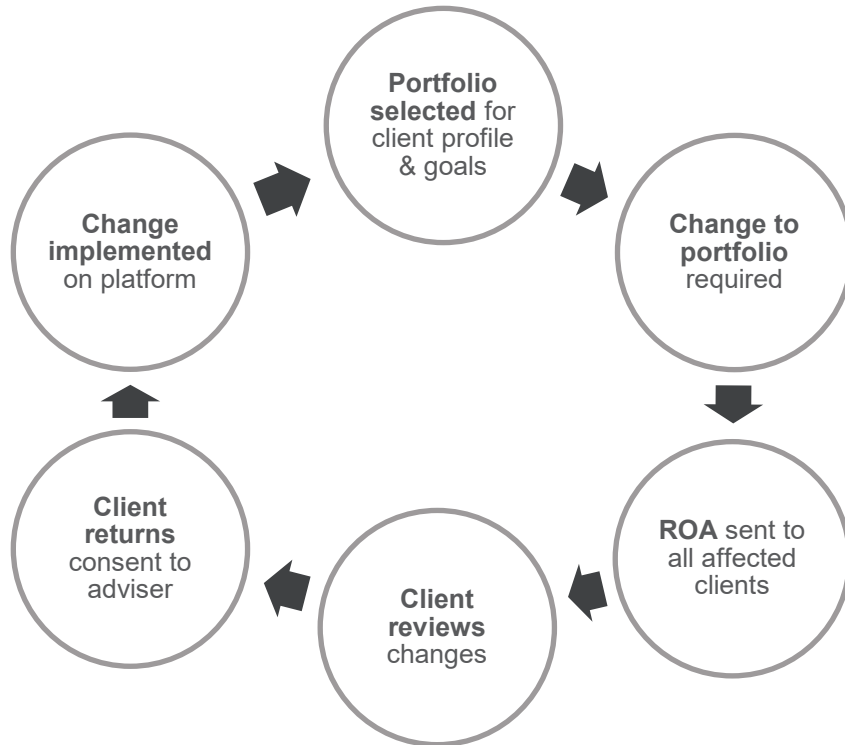


# Conclusion



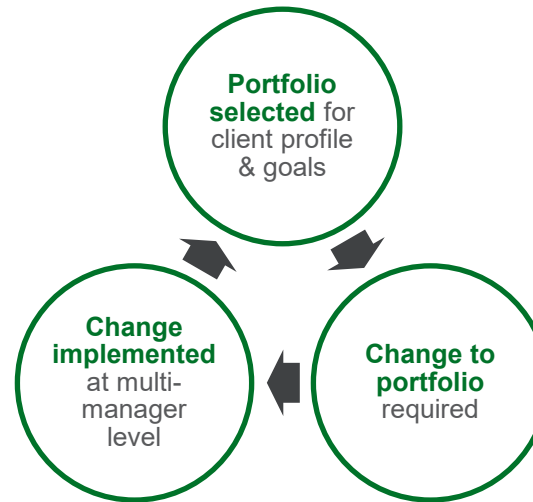
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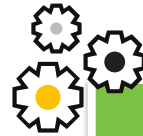
**Rebalance as required.**

**All without the need for RoAs**

# Outsourcing recap



Reduced compliance burden



Reduced administration burden



Minimising compliance risk



More time for your clients



Increase profitability



## Summary

- › Managed Accounts and Multi-Manager solutions may not be suitable for every client of every practice, but outsourcing portfolio management can create essential value for the practice and for clients.
- › It reallocates resources to focus on high-value activities, and it complements a goals-based approach to wealth management.

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Questions?



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detail



Market insights  
and educational  
content



Performance  
and reporting  
capability



Fund  
rating  
reviews



Portfolio blending  
tool with  
personalised  
reporting



Outsourcing portfolio construction supports your strategic advice offering