

IN CONTEXT THOUGHT LEADERSHIP SERIES

From why to how – managed account best practice



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The COVID-19 market stresses and subsequent rebound in markets to record highs provided an excellent case study of the benefits for clients of operating managed accounts as a cornerstone of the investment offering for many well managed advice firms.

This combined with the value proposition enhancement, efficiencies and risk reduction for advice firms clearly evidenced in successful managed account implementation means many firms are turning their minds from whether to implement managed accounts to how to implement them in a best practice way.

BENEFITS FOR CLIENTS

- Equitable treatment of clients through the removal of implementation drag
- Return and risk improvements from ongoing rebalancing
- Access to professional investment management
- Simple access to diversification
- Efficient portfolio changes including dynamic asset allocation
- Better efficiency for tax administration
- More transparency

BENEFITS FOR ADVICE FIRMS

- Improved compliance and a clear way to assist advisers meet their best interests obligations
- Business and operational risk management
- Efficiency of implementation
- Increased value proposition
- Reduced operational and research burden

MANAGED FUNDS V MANAGED ACCOUNTS V MODEL PORTFOLIOS



MANAGED FUND

a 'unit trust'. The client buys units in a fund, rather than owning the underlying assets.



MANAGED ACCOUNT

the client invests in a portfolio of assets which is managed for them. Clients beneficially owns the assets they have in their managed account.



MODEL PORTFOLIOS

the client invests in a standardised list of funds in a portfolio used across a firm's client base but the outcome is somewhat dependent on implementation timing.

A PATHWAY FOR SUCCESS

So you have decided to embark on a journey of a managed accounts transformation. Where to from here and how do we learn from those who have gone before to deliver a best practice managed accounts program for your clients and firm? We are very fortunate at Context to have the opportunity to work with leading self-licensed and objectively minded advice and wealth management firms and partnered with them through the implementation of their managed accounts programs for clients. We have also enjoyed the opportunity to engage with our peers at other managed account managers and platform specialists to understand their learnings and perspectives on managed account adoption.

| THE LESSON | THE QUESTION | THE TIP |
|--|---|---|
|  <p>The core of any successful investment program is a clear investment philosophy.</p> | <p>Are you clear on the investment approach to take that links both to your client profile and the 'personality' of your advice team and process?</p> | <p>Include your advice team in either an investment beliefs workshop process to design a private label managed account to generate buy in from advisers and drive consistent application to clients.</p> |
|  <p>Good governance is gold</p> | <p>Do you have the right mix of oversight and outsourcing with your managed accounts partner? If you are running an internal program, have you considered the impact of vertical integration and conflicted remuneration?</p> | <p>Develop a formalised delegations matrix regarding the decision-making responsibility for the managed accounts. Be very cautious on structures that don't fully separate the operations of the managed accounts from your advice business.</p> |
|  <p>The platform is pivotal</p> | <p>Is your current platform the right technology and governance partner to deliver a managed account transformation?</p> | <p>Review your platform arrangements and ensure your firm is partnered with a modern platform solution that is both future ready and takes their responsibility to your clients seriously.</p> |
|  <p>Failing to plan is planning to fail.</p> | <p>Moving to managed accounts is a significant change management exercise. Do you have a project plan in place to manage risk and effectively implement</p> | <p>Engage the platform, model manager, your advice team and support staff to develop a clear project plan with accountabilities and deliverables to both implement the portfolios and change over client allocations.</p> |
|  <p>Your Implementation team is integral.</p> | <p>Moving from a traditional advice model to a modern managed accounts model will require a significant change from your implementation team. Are they change ready?</p> | <p>Involving your operational and support staff in the decision making can lead to better decision in terms of the operational implications of a change and creates better buy-in as part of a significant change.</p> |
|  <p>Segment for success</p> | <p>Are managed accounts an investment solution for a particular group of your clients, or are you considering managed accounts as an advice model for the whole practice?</p> | <p>Determine early in your process which clients will suit the managed account program. It may well be the majority of your clients, but unlikely all. There is no such thing as a 'one size fits all' solution and any investment consideration should account for the context of the client. Determining the client characteristics that suit which investment approach will contribute to successful adoption.</p> |

IMPORTANT INFORMATION

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