

# Netwealth Managed Account

Integrity Financial Planners



Presented by:  
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# Agenda

## 1. Managed account overview

- What are managed accounts?
- Main benefits to clients
- Main benefits to advisers & licensees
- Risk Management
- Practice efficiency analysis

## 2. Models, features & disclosure

- Integrity managed models
- Key features
- Treatment of income
- Disclosure documents & client opt in

## 3. Investing and online experience

- Investing into models
- Regular investing into models
- In specie into models
- Client preferences
- Portfolio view
- Netwealth support

# An introduction to managed accounts



# What are managed accounts?

## Overview

**A managed account provides the ability to invest into one or more professionally managed investment models which are then actively reviewed, updated and rebalanced with discretion and in a timely manner.**

- **Professional investment management**  
Assets are reviewed and rebalanced by a professional model manager. Client gives discretion to the manager.
- **Back office efficiency**  
Remove the need for ongoing ROA's & individual client trading/switching.
- **Transparency**  
View all underlying assets/funds.

- **Control**  
Ability to set client level investment preferences (substitute, hold, lock, min holding size, min trade size).
- **Convenience**  
administration, investment management & custody fully integrated into the platform. MA assets sit along side other non-MA assets.
- **Cost efficiency**  
Netting of trades at client level to save on brokerage / buy sell spread.

# Main benefits to clients

- Investment discretion supports more frequent review of client portfolios.
- More frequent review can lead to better investment outcomes (timely changes/rebalancing)
- Easier for investors to own:
  - less paperwork
  - fewer decisions
  - comfort that their portfolio is being actively and professionally managed and changes will be made when required
- Account rebalance begins same or following business day after model manager makes changes. Compare this to the time it takes with ROA's.
- Low transaction costs:
  - Switching fee (between models) – nil
  - Switching fee (between managed funds) – nil. However buy/sell spread applies.

# Main benefits to advisers & licensees

- Remove the burden of ROA's.
- Ongoing advice and operational costs fall.
- Efficiencies gained can be used to:
  - upskill staff into other roles (i.e. para planning, advice)
  - refocuses resources on scaling up business, attracting new clients, better servicing and retaining existing clients (i.e. educate, review goals etc.) and business development.
  - Improve margins (more efficient service delivery = higher client : adviser ratio).
- Clients are treated more equally as their investment changes generally happen at the same time.
- Increases in EBIT and capital value of the business
- Improved value proposition (more active management, timely changes, different conversation)

# Risk management

**Managed accounts remove or significantly reduce risks on a number of levels. These risks can otherwise result in material costs to fix.**

Some of the operational risks a managed account can reduce, include:

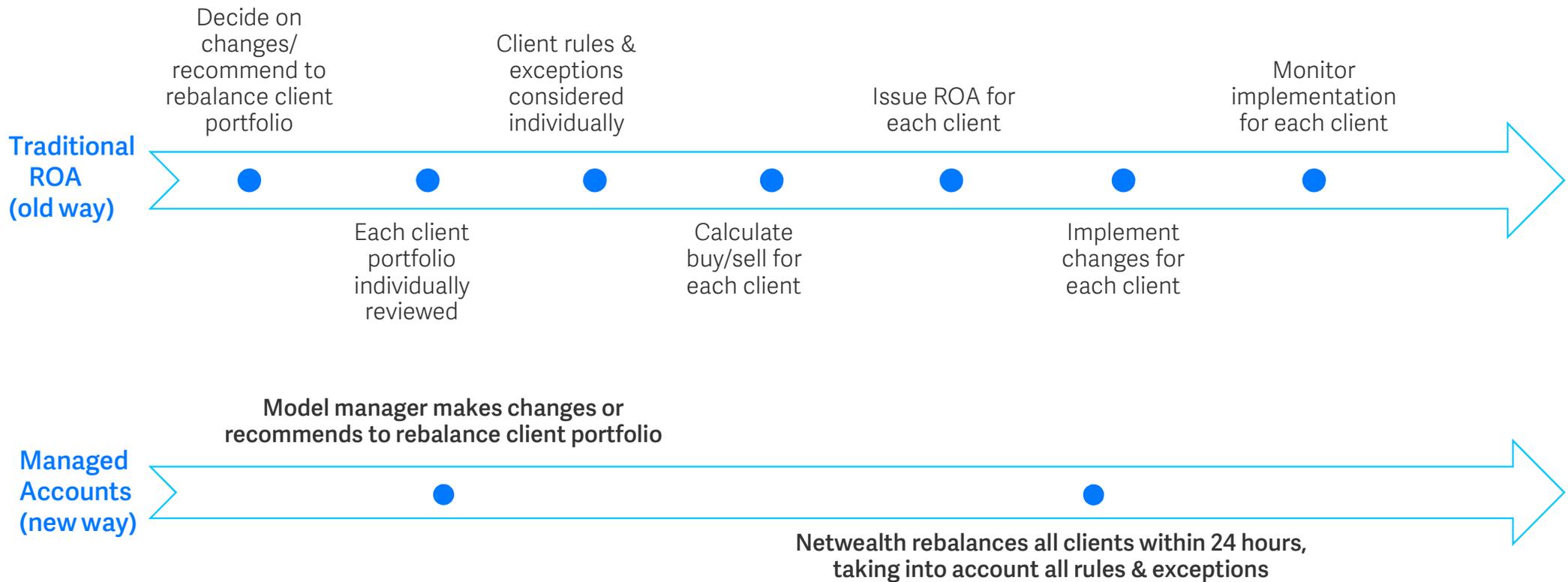
- Failure to implement changes in a timely manner, either after receiving client permission or within agreed service levels. Changes can now occur within 1 day vs potentially weeks.
- Sell or purchase of the wrong assets – no switching unless risk profile changes.

- Reduced oversight on investment decision made by individual advisers – model is managed by professional managers or adviser in-house investment committee.
- Implementation risk – model changes are implemented by Netwealth therefore any trading risk is borne by Netwealth as Responsible Entity (RE).

Improved compliance results as investment changes are made at the model level and all clients are generally updated at the same time.

# Practice efficiency

## ROA vs managed accounts



# Practice efficiency

Source: "Retain valued clients, find new ones" IMAP, SFG Alliance Services, June 2014

Tasks outsourced or removed	Description	Admin saving per account	Adviser saving per account
Portfolio Change Recommendations	Regular review of holdings, decisions re changes, preparation of advice documentation.	2.0	4.0
Implementation of Change	Prepare and issue implementation and advice paperwork.	4.0	0.0
Quarterly update to client*	Prepare & provide regular market and performance update and manage client questions/concerns.	0.5	0.5
Managing Corporate actions	Gain individual client decision, issue advice if required, enact action.	1.0	1.0
Cash management	Monitor cash holdings, prepare and issue recommendations of required sells to maintain balances or invest any excess.	1.0	1.0
Trading & fund withdrawal requests	Select assets to be sold, lodge and monitor trades, reweight account.	1.0	1.0
<b>TOTALS</b>		<b>9.5 hours pa per account</b>	<b>7.5 hours pa per account</b>

# Practice efficiency

Number of clients	Total hours saved	Admin days saved	Adviser days saved	Cost savings
10	170	11.2	8.8	\$10,350
30	510	33.5	26.5	\$31,050
50	850	55.9	44.1	\$51,750
100	1700	111.8	88.2	\$103,500

## Traditional ROA vs Managed Account

Assumptions:

- Administration cost per hour \$30
- Adviser cost per hour \$100
- 1 day = 8.5 hours

Change in business value  
due to EBIT increase of  
\$103,500K = \$621k (6 times)

# Models & key features

## Treatment of income (distributi

## Disclosure documents



# Integrity managed models

\*Does not include underlying MER

**Model manager:** Zenith Investment Partners

**Investment universe:** Managed Funds

<b>Models and pricing:</b>	<b>Model name</b>	<b>Model &amp; Investment Management Fees*</b>
	Integrity Exclusive Investment Series Moderate Model	0.33%
	Integrity Exclusive Investment Series Balanced Model	0.33%
	Integrity Exclusive Investment Series Growth Model	0.33%
	Integrity Exclusive Investment Series High Growth Model	0.33%
	Integrity Exclusive Investment Series Moderate (Enhanced Income) Model	0.33%
	Integrity Exclusive Investment Series Balanced (Enhanced Income) Model	0.33%
	Integrity Exclusive Investment Series Growth (Enhanced Income) Model	0.33%

# Key features

<b>Switching fee (between models)</b>	Nil
<b>Transaction fees:</b>	Managed funds – nil (buy/sell spread still applies)
<b>Minimum initial investment:</b>	\$25,000 per model (excl. min platform cash which is the greater of \$500 or 1%). Therefore would need at least \$25,500.
<b>Minimum addition or withdrawal:</b>	\$1,000 (does not include regular SG/Sal Sac and/or contributions/deposits made by regular direct debit. There is no minimum for these amounts).
<b>Minimum underlying fund holding size:</b>	\$250 (can increase at client level, however can increase model drift)
<b>Minimum trade size:</b>	\$100 (can increase at client level, however can increase model drift)
<b>Trading times:</b>	Switch into / out model before 10am for same day execution. Otherwise will execute following day.
<b>Margin Lending:</b>	Not currently available for managed accounts.

# Treatment of income (distributions)

This describes the options for the treatment of income generated within managed account models. The treatment of income needs at the model level needs to be matched at the client level.

## Standard models (for accumulation)

1. Accumulation models (re-invest income in model)
  - a. Income accumulates inside the model which is highlighted as an increased cash weighting percentage inside the model. The model manager actively determines the allocation to cash via active adjustments to model weightings.

No action required from adviser in regards to income settings for accumulation clients.

## Income models (for pension)

1. Income models (withdraw income from the model)
  - a. Income received from managed account assets is swept out of their managed account and into the clients platform cash account. This income remains as cash outside of their managed account.
  - b. No cash is accumulated within the model and no adjustment to the cash weighting is made.

**Action required from adviser to change income settings for pension clients. See next slide.**

# Treatment of income (distributions)

1. For clients invested in one of the income models, navigate to **Client Details > Investment Preferences**.
2. From the Income instruction drop down box, select **'Pay to my cash account'**.
3. Click **save/submit**.

Administration +

**Client Details** -

- Portfolio
- Transaction History
- Pending Transactions
- Reports & Statements
- Personal Details
- Investor Details
- Bank Details
- Investment Preferences**

Client Insurance

Search Results

Manage Fees +

WRAP Transactions +

Open an Account +

Logged in as:

Last login:  
1/03/2017 9:00:14 PM

Password last changed:  
21/03/2016 12:47:10 PM

### Investment Preferences

#### Managed Account

Do you wish to edit or view your investment preferences?  Yes  No

Minimum trade value: \$ 2000

Minimum holding amount: \$ 2000

Suspend rebalancing: No

Income instruction: Pay to my cash account

Reinvest in Managed Account

Pay to my cash account

Do you wish to edit or view assets that st... account?  Yes  No

Add asset: Enter asset code or name

ASSET CODE	ASSET NAME	ACTION	ASSET CODE	ASSET NAME
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# Disclosure documents and access to models

Netwealth managed accounts (MA) are available in super and non-super. They are not available in Accelerator Core products.

## Integrity clients must receive a copy of the:

- Integrity MA PDS
- Underlying fund PDS or profile
- Models Profile
- Models Menu
- Netwealth platform product disclosure documents.

## Clients must also 'opt in' to managed accounts.

### How to opt in – new clients:

- Online application – tick the MA checkbox on the super or IDPS online application form. This will populate and include the Integrity MA application form as part of the

forms pack. Super/pension clients have the option to sign via e-signature.

- Paper application – Integrity MA application form (available in Integrity MA PDS) is separate to the Netwealth platform product application form. Both must be completed.

### How to opt in – existing clients:

- Can opt in on the netwealth website via **Client Details > Investment preferences**, or
- by completing the Integrity MA application form (available in the Integrity MA PDS).

# Access documents online

## PDS

### Managed Account

For clients of Integrity Financial Planners

Part 1 of the Managed Account PDS for clients of Integrity Financial Planners

**Product Disclosure Statement**  
23 February 2017



Netwealth Investments Limited ABN 85 090 569 109 AFSL 230975.  
Responsible Entity of the Netwealth Managed Account ARSN 604 930 252.

## Model profiles

### About the Model Manager

Zenith is one of Australia's leading investment research providers dedicated to the delivery of premium investment research solutions for Australian financial advisors and their clients.

Zenith was established in 2002 by David Wright and David Smythe. Each has close to 25 years' experience providing research and model portfolio support to Australian advisers.

Zenith's key areas of expertise are in managed funds research, model portfolio construction and advice, and Investment Committee participation. Zenith provides 'advice' based research solutions designed in consultation with each of our clients to match their specific business requirements.

**Commencement**  
Established in 2002

**Ownership**  
100% owned by directors & staff

**Outside Interest**  
No outside interest in investment products, software platforms, retail distribution of dealer groups



**Voted Money Management**  
Ratings House of the Year 2014 & 2015  
As judged by Fund Managers & Dealer Groups

**Personnel**  
16 research analysts  
33 staff in total

**Specialists**  
In all key asset classes

**Solutions**  
"Advice" based research solutions, designed in consultation with dealer groups, advisers and licensees to minimise investment risk & maximise returns for their clients.

## Models menu

### Managed Account

For clients of Integrity Financial Planners

Part 2 of the Managed Account PDS for clients of Integrity Financial Planners

**Managed Models Menu**  
23 February 2017



Netwealth Investments Limited ABN 85 090 569 109 AFSL 230975.  
Responsible Entity of the Netwealth Managed Account ARSN 604 930 252.

# Access documents online

The screenshot shows the netwealth website navigation menu. The 'Tools & Resources' menu item is highlighted with an orange box. Below it, the 'Forms & Documents' sub-menu item is also highlighted with an orange box. Other menu items include 'Products & Services', 'About Us', and 'My Admin'. The 'Tools & Resources' section includes 'Research & Information', 'Tools', 'News', and 'Forms & Documents'. The 'Forms & Documents' sub-menu includes 'Adviser Forms', 'Investment Wrap', 'Wealth Accelerator', 'Super Wrap', 'Super Accelerator', 'Self-Super', 'Global Specialist Series', 'Managed Account', and 'Order Documents Online'.

The screenshot shows the 'Managed Account Forms' page. The page title is 'Managed Account Forms'. Below the title, there is a paragraph: 'These forms are available in PDF (Portable Document Format). To view or forms are interactive and (where applicable) will allow you to type the requi'. Below this paragraph, there is a list of document titles, each in a blue box: 'Product Disclosure Statement and Application', 'Managed Account Guide', 'Managed Models Menu', 'Managed Account Change of Investment Preferences/Cancellation', and 'Managed Account Asset Transfer'. Below the list, there is a section titled 'Managed Model Profiles' with a list of model names: 'Arnhem', 'Benelong Australian Equities', 'DNR Capital', 'Evans and Partners', 'Integrity Financial Planners', 'netwealth Dynamic Allocation', 'netwealth Top 20 Index', 'Ralton', and 'UBS Asset Management'.

# Investing into models

## Client preferences

### Portfolio view



# Investing into models

- Administration +
- Client Details +
- Client Insurance
- Search Results
- Manage Fees +
- WRAP Transactions -**
- Add New Money
- Withdrawal
- Switch
- Reinvestment
- Savings Plan
- Monthly Withdrawal
- Dollar Cost Averaging
- Auto Sell Down
- Buy Shares
- Sell Shares

1. Transaction Details >
2. Summary >
3. Confirmation

Redrock Superannuation Fund - 169511 (W+ WRAP037909)
View My Portfolio

Would you like to sell managed funds/models?  Yes  No

Would you like to buy managed funds/models?  Yes  No

Invest using: Available Cash Total to Invest \$ 34654.65 OR 100%

Add Investment:  OR Add Model: Select One

Code	Description	Buy \$	OR	Buy %
	MACC000010 - Netwealth Dynamic Allocation - Balanced Model			
	MACC000009 - Netwealth Dynamic Allocation - Conservative Model			
	MACC000011 - Netwealth Dynamic Allocation - Growth Model			
	MACC000012 - Netwealth Dynamic Allocation - High Growth Model			
	MACC000037 - netwealth Dynamic Allocation Diversified Income Mo	\$ <input type="text"/>		<input type="text"/>
	MACC000003 - netwealth Top 20 Index model	\$ <input type="text"/>		<input type="text"/>
	MACC000078 - PFS Balanced Model	\$ <input type="text"/>		<input type="text"/>
	MACC000077 - PFS Conservative Model	\$ <input type="text"/>		<input type="text"/>
	MACC000079 - PFS Growth Model	\$ <input type="text"/>		<input type="text"/>
	MACC000007 - Ralton Smaller Companies model	\$ <input type="text"/>		<input type="text"/>

Managed Models			
<span style="color: red; font-weight: bold;">X</span>	MACC000079 PFS Growth Model	\$ <input style="border: 2px solid orange;" type="text" value="25000.00"/>	<input style="border: 2px solid orange;" type="text" value="72.14"/>
<b>Total</b>		\$ <input style="border: 1px solid #ccc;" type="text" value="25,000.00"/>	<input style="border: 1px solid #ccc;" type="text" value="72.14"/>

# Regular investing into models

If not setting up a new reinvestment plan, check the account to ensure that an existing reinvestment plan is not in place. This is to ensure that cash is not invested into an old/existing investment strategy.

Reinvestment plan report can be run across all clients at once. From the My Admin screen, navigate to My Reports > Adviser Reports > Reinvestment Plan.

Stop existing Reinvestment Plan (100% to Cash)

### Reinvestment

If you participate in the Reinvestment Plan, we will calculate the amount to be reinvested for the period ending on the 15<sup>th</sup> of each month and reinvest the lesser of Available Cash and:

**1** Reinvest the following amounts:  
(a) Income earned less any expenses, plus  
(b) Regular contribution plan amounts made by direct debit

**OR**

**2** Reinvest the following amounts:  
(a) Income earned less any expenses, plus  
(b) Regular contribution plan amounts made by direct debit, plus  
(c) Employer contributions (Super Guarantee and Salary Sacrifice)

Add Investment:

	Fund Name	Percentage
<b>Managed Models</b>		
<input checked="" type="checkbox"/>	MAINVEST - Managed Account Investment	<input type="text" value="100.0000"/> %
	<b>Cash</b>	<input type="text" value="0.0000"/> %
	<b>Total</b>	<input type="text" value="100.0000"/> %

Please note: Reinvestment into Managed Account Investment will be allocated and invested as per your current model allocation.

# In specie into models

Can only in specie transfer in the type of assets that are allowable in the strategy (i.e. managed funds for these models).

Rebalances will be suspended until all assets are transferred. This is to prevent early rebalancing.

## **In specie from other platform:**

- Netwealth can facilitate the entire in specie process, including completing all standard transfer forms.
- Speak to your Netwealth BDM/TRM for details.

## **In specie from Netwealth:**

- You can transfer existing managed funds held in your platform account into your managed account by completing a 'Managed Account Asset Transfer Instruction'.
- Advisers can sign this form. This process will soon be made available online.
- Assumes that the client has signed the Integrity managed account application form.

# Client preferences

Considerations for client withdrawals and for large accounts.

The screenshot shows a web form titled "Do you wish to edit or view your investment preferences?" with radio buttons for "Yes" and "No". Below the title are three rows of input fields:

- "Minimum trade value:" with a text input containing "\$ 100".
- "Minimum holding amount:" with a text input containing "\$ 250".
- "Suspend rebalancing:" with a dropdown menu currently set to "No". A dropdown menu is open below it, showing "Yes" and "No" options.

At the bottom of the form, there is a partially visible question: "Do you wish to edit or view assets tha... Managed Account?" with radio buttons for "Yes" and "No".

If there is a rebalance occurring on an account, any withdrawals from the managed account will not occur until the rebalance has completed. With managed funds, this can be 2-3 weeks.

Therefore, if a client needs funds and a withdrawal/sell down from the managed account is required, consider using the 'suspend rebalancing' function 2-3 weeks prior to the withdrawal/sell down, or complete the sell down a few weeks before funds required.

For large accounts, the minimum holding amount and minimum trade value can be utilised to increase the minimum value held per asset and/or reduce the number of smaller trades/switches.

For further information on these settings, speak to your BDM or TRM or access the [Managed Accounts Guide](#), available on the [Netwealth website](#). We recommend discussing with your dealer group prior to making changes to these settings.

# Accelerator Plus & managed accounts

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## Wealth Accelerator Plus / Super Accelerator Plus

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# Portfolio view

Default view – shows underlying assets and managed account cash

by Detailed Asset Class ▾

Hide all Columns ▾

ITEM	CODE	UNITS	PRICE	VALUE	MOVEMENT	%
<b>Cash account</b>				<b>\$11,656.28</b>		<b>23.57%</b>
Pending	-	-	-	\$0.00	-	0.00%
Managed account cash	-	-	-	\$1,343.90	-	2.72%
Minimum cash	-	-	-	\$500.00	-	1.01%
Available for investment	-	-	-	\$9,812.38	-	19.84%
<b>ASX - Australian Shares</b>				<b>\$28,466.95</b>	<b>\$1,698.65 ▲</b>	<b>57.57%</b>
AGL Energy Limited	AGL	71.000	\$25.370	\$1,801.27	\$632.04 ▲	3.64%
AMP Limited	AMP	306.000	\$5.050	\$1,545.30	(\$249.57) ▼	3.13%
Australia and New Zealand Bankin...	ANZ	60.000	\$31.920	\$1,915.20	\$360.89 ▲	3.87%
BHP Billiton Ltd	BHP	96.000	\$23.655	\$2,270.89	\$120.99 ▲	4.59%
Brambles Ltd	BXB	102.000	\$9.200	\$938.40	(\$223.50) ▼	1.90%
Caltex Australia Ltd	CTX	30.000	\$29.010	\$870.30	(\$135.78) ▼	1.76%
Commonwealth Bank of Australia	CBA	23.000	\$84.320	\$1,939.36	\$232.21 ▲	3.92%
Harvey Norman Holdings Ltd	HVN	81.000	\$4.950	\$400.95	\$29.95 ▲	0.81%
Insurance Australia Group Ltd	IAG	156.000	\$6.225	\$971.10	\$105.02 ▲	1.96%
James Hardie Industries PLC	JHX	36.000	\$20.510	\$738.36	\$158.44 ▲	1.49%
Oil Search Ltd	OSH	193.000	\$6.930	\$1,337.49	(\$50.86) ▼	2.70%
QBE Insurance Group Ltd	QBE	81.000	\$12.755	\$1,033.16	\$124.44 ▲	2.09%
Suncorp Group Limited	SUN	51.000	\$13.470	\$686.97	\$58.17 ▲	1.39%

Investment type view – managed account assets as a single line item per model

by Investment Type ▾

Hide all Columns ▾

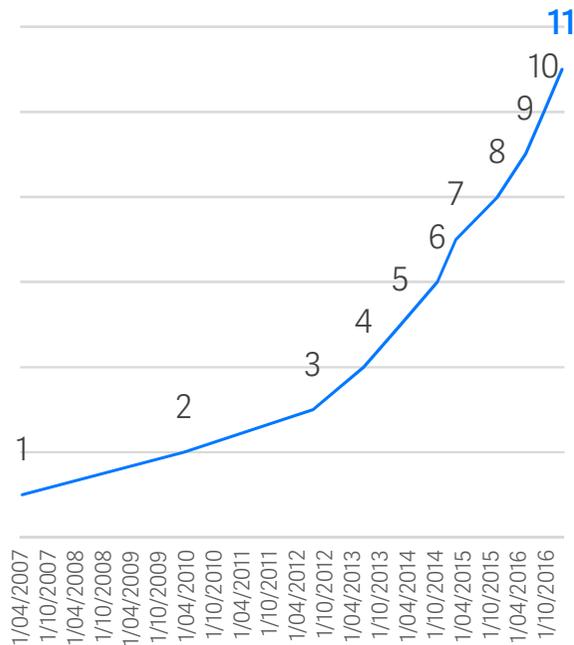
ITEM	CODE	UNITS	PRICE	VALUE	MOVEMENT	%
<b>Cash account</b>				<b>\$10,312.38</b>		<b>20.85%</b>
Pending	-	-	-	\$0.00	-	0.00%
Minimum cash	-	-	-	\$500.00	-	1.01%
Available for investment	-	-	-	\$9,812.38	-	19.84%
<b>International Equities</b>				<b>\$4,834.39</b>	<b>\$1,051.55 ▲</b>	<b>9.78%</b>
Alphabet Inc. Class C	GOOG.ND	2.000	\$1,117.644	\$2,235.29	\$813.96 ▲	4.52%
Apple Inc	AAPL.ND	7.000	\$184.808	\$1,293.66	\$131.51 ▲	2.62%
Tesla Motors Inc	TSLA.ND	4.000	\$326.359	\$1,305.44	\$106.08 ▲	2.64%
<b>Managed Funds</b>				<b>\$4,490.64</b>	<b>\$470.78 ▲</b>	<b>9.08%</b>
netwealth Active 50/50 Balanced F...	NET0006AU	6,405.137	\$0.701	\$4,490.64	\$470.78 ▲	9.08%
<b>Managed Models</b>				<b>\$29,810.82</b>	<b>\$1,698.65 ▲</b>	<b>60.29%</b>
UBS HALO Australian Shares model	MACC000006	-	-	\$29,810.82	-	60.29%

# Four tier adviser support structure

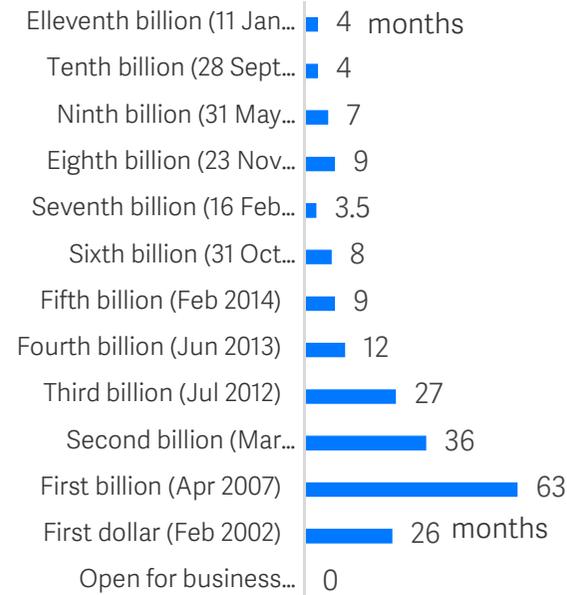
Key Account & Distribution Managers	<ul style="list-style-type: none"><li>• Responsible for the overall adviser or dealer relationship and sales outcome</li><li>• Focus on new Business opportunities</li></ul>
Training & Relationship Managers (TRM)	<ul style="list-style-type: none"><li>• Ongoing web and product training of adviser accounts and support staff</li><li>• Management of Business consolidation</li><li>• Cross sell of other products and/or services</li></ul>
Technical Services Team	<ul style="list-style-type: none"><li>• Strategy and Technical Assistance</li><li>• PD days and client Seminars</li><li>• Strategy</li></ul>
Adviser Support Team	<ul style="list-style-type: none"><li>• Phone based team</li><li>• Account and client enquires</li><li>• Day to day maintenance</li><li>• Transitions and operations</li></ul>

# Company performance

## FUM overtime - \$billions



## FUM - Time to reach in months



## Platform business

- \$11b total FUM January 2017
- \$1.0b increase since 28 Sep 2016
- Forecasting \$2+ billion p.a.
- Australia's largest non-institution platform
- No 1 platform – Investment trends for:
  - Functionality
  - Adviser Satisfaction

# Disclaimer

The information in this presentation reflects netwealth Investments Limited's ('netwealth') ABN 85 090 569 109 understanding of existing legislation, proposed legislation, and rulings as at the date of publication. While it is believed the information is accurate and reliable, this is not guaranteed in any way. The financial product advice or information contained in this document is of a general nature only. It has been prepared without taking into account the particular objectives, financial situation or needs of your clients. Applications to invest in a financial product, or use any service provided by netwealth must be made by completing the applicable Disclosure Document which can be obtained from netwealth. Prospective clients should consider the applicable Disclosure Document before deciding to acquire or dispose of the product, or utilise any service offered by netwealth.

# Thank you

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