

HUB 24



CLIENT AND BUSINESS BENEFITS
DRIVEN FROM MANAGED
PORTFOLIO ADOPTION

A Managed Portfolios Case Study

CLIENT AND BUSINESS BENEFITS DRIVEN FROM MANAGED PORTFOLIO ADOPTION

For more than 30 years, leading financial services provider Australian Financial Advisers (**AFA**) invested with a mainstream managed fund provider and its platform. However, following the Royal Commission, the business reconsidered its licensing and investment arrangements and reinvigorated its offer in the process.


According to Managing Partner of the Darwin office, Dwayne Hameister, following the Royal Commission, AFA took the opportunity to check in with some of their clients who had not been fully engaged and let them know how the financial planning business had been re-engineered.

In 2019, the business moved to its own AFSL and 12-months later enlisted asset consultancy firm Evidentia Group to provide dynamic asset allocation and active management. It also included tailored managed portfolios on its AFA investment list.

Evidentia's role was to ensure the investment portfolios aligned with client goals and to complete any of the necessary underlying investment adjustments. It did some of the initial analysis which the advisers did not have time to do and gave the business a compelling investment narrative.

"This provided a solid and appealing story to share with clients around how the business selects investments and moves away from any discussion around 'I can beat the market,'" said Hameister.

The business now had a clear investment philosophy aligned at the individual client level and which was backed-up with research.



“The ability SMAs have, you can’t get in the managed fund environment. SMAs allow you to get in and out without the tax implications.”

**DWAYNE HAMEISTER,
AFA MANAGING
PARTNER, DARWIN**

SELECTING A PLATFORM

The move away from managed funds also meant changing platform providers.

AFA were keen to find a platform provider with a managed portfolio capability to tailor investment portfolios to the needs of their clients. Its client base was composed of half retirees and half who were at the later stages of accumulation aged 50-60 years.

“The ability SMAs have, you can’t get in the managed fund environment,” said Hameister. “SMAs allow you to get in and out without the tax implications.”

Further, the diversification within a SMA portfolio helped to manage sequencing risk – the danger that the timing of withdrawals from a retirement account can adversely damage a client’s overall return.

It also complemented the bucket strategy which the business applies with its clients. This strategy enables advisers and their clients to designate money to asset classes based on when they will need access to it.

The business began searching for the right fit and provided platform providers with information on its proposed business model in return for information on their functionality and pricing. In March last year, it decided to exclusively use HUB24 for most of its clients.

While the industry trend is for advice businesses to use two to three platforms, Hameister said the business is not worried about having one platform provider.

“With SMAs, it is not a case of all our eggs in one basket because of the diversification they provide.”

Further, regarding the Best Interests Duty, the SMA solution might not be right for all AFA clients, but the business is flexible enough to make other recommendations.

COMMUNICATING CHANGE

Hameister said communicating the change of platform providers and the investment philosophy to clients was straight-forward for the business because it was beneficial to all parties concerned.

The platform was more cost-effective for clients in terms of administration and the strategy-based investing style of Evidentia provided the potential for outperformance.

Further, Evidentia provides quarterly reports on how the funds are performing and a head-to-head comparison with particular funds, information previously not made available to the advisers.

“Why wouldn’t we go for it?” Hameister said. “We said to clients the cost to do this is X upfront with an ongoing fee, which is a fixed dollar amount. We renegotiate fees every 12 months.”

Fixed fees have provided clients with increased fee transparency. “They told us, ‘It’s never been clear what we are paying, it was a bit muddier with percentages,’” said Hameister.

These benefits meant their clients had peace of mind that their investments were being managed properly and efficiently and the adviser could focus on strategic advice and responding to their clients changing needs.

The platform was more cost-effective for clients in terms of administration and the strategy-based investing style of Evidentia provided the potential for outperformance.

BENEFITS TO THE BUSINESS

Working with HUB24 also had business benefits. According to Hameister, making investment adjustments is easy, and automated features such as regular pension payments, dividend reinvestment, and auto sell down has reduced the manual work required from advisers.

Further, the business has saved on managed fund costs and while it has increased its service fee, the client is still paying less from a total cost perspective.

“So not only has the move lowered costs to clients, but it has also increased the business’ take-home revenue,” said Hameister.

FUTURE OUTLOOK

AFA is now focusing on new business. It would like to bring in an associate and another support member to increase its overall capacity and increase engagement.

Hameister said the change in platform providers and the move to managed portfolios has completely refreshed the business' offer and over the past 12 months, has transferred 130 clients or 90% of his client base to managed portfolios on the HUB24 platform.

"I am excited about the whole process because we can do comparison on [fund manager] pricing on platforms, and we have boutique managers who can pick the best out of the industry and we don't have to review up to 3,000 managed fund options that are available in the marketplace."

The change in platform providers and the move to managed portfolios has completely refreshed the business' offer.

WANT TO KNOW MORE?

Call our team on 1300 854 994
or visit [HUB24.com.au](https://www.hub24.com.au)

HUB²⁴

DISCLAIMER

This document has been issued by HUB24 Custodial Services Ltd ABN 94 073 633 664, AFSL 239 122 (HUB24) and is current as at May 2021. It is only for use by Australian Financial Services License (AFSL) holders and their authorised financial advisers. It is not for use by retail clients.

The information in this document is intended to be general information only and not financial product advice. It does not take into account any person's objectives, financial situation or needs. It is not legal advice. Accordingly, before acting on any of this information, the reader should consider the appropriateness of the information having regard to their clients' objectives, financial situation and needs. There are risks as well as benefits associated with all investments, including managed portfolios. It is important to consider the disclosure documents, including the IDPS Guide for HUB24 Invest, Product Disclosure Statement (PDS) for HUB24 Super, and PDS for the HUB24 Managed Portfolio Service (available on InvestorHUB and AdviserHUB or call 1300 854 994) before making any decision to acquire or hold HUB24 Invest, HUB24 Super and any managed portfolio or other investment available through either of these products. Past performance is not indicative of future performance.

Case studies in this document are purely for illustrative purposes, they are not exhaustive and a person's actual experience may differ from that shown in the example or case study as individual circumstances differ. Additionally, any opinions about future events or forecasts may not eventuate as they are subject to contingencies that cannot be currently known and to matters outside HUB24's control.

HUB24 is the operator of HUB24 Invest (an investor directed portfolio service), promoter and service provider of HUB24 Super which is a regulated superannuation fund. The trustee and issuer of interests in HUB24 Super is HTFS Nominees Pty Limited ABN 78 000 880 553, AFSL 232 500, RSE Licence No. L0003216. This document must not be copied or reproduced without the prior written consent of HUB24 or used for purposes other than its intended purpose.