
A Practice Guide to Managed Portfolios



We're committed to constant innovation and driving great outcomes for advice practices and licensees. That's why for over 15 years, HUB24's award-winning managed portfolio capabilities have been empowering advisers to deliver value for their clients.



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Best interest duty and the changing advice landscape

The need for the separation of advice and product, an increased desire to use technology to assist in regulatory compliance and the drive to enhanced customer engagement and outcomes, has highlighted specialist platforms capability beyond an investment solution.

The Best Interest Duty (BID) obligations which became law in 2013, is an area where technology within platforms and managed portfolios can assist advisers in meeting their compliance standards.

In January 2019, HUB24 released a whitepaper ('The Adviser Best Interests Duty: Creating Better Advice') based on research and engagement with 300 advisers on the impact of BID, their preparation and the role technology played to support compliance.

More than 57% of aligned advisers surveyed believed an APL made it more difficult or impossible to meet BID requirements.

Since this time, the findings from the Financial Services Royal Commission have been released and with the ongoing dismantling of vertically integrated business models, APLs have opened up, providing financial advisers and their clients with more freedom to choose the right products to meet their needs.

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of aligned advisers surveyed believed an APL made it more difficult or impossible to meet BID requirements.

Platform features matter

While product choice is an essential part of BID compliance, technology has emerged as a powerful tool which can not only assist with the re-engineering of advice practices, but through the capabilities it provides, offer systems and processes that assist advisers in meeting BID requirements.

Technology assists advisers to add value to the advice they deliver and to customise their platform solution to fit the needs of their clients.

Further, specialist platforms have driven innovation by unlocking value for customers in the form of tax optimisation, access to international assets and the reduction in investment management fees. For example, specialist platform technology can provide transparency around client's individual tax outcomes and can estimate and model tax outcomes and Capital Gains Tax (CGT) impacts in investment accounts.

Minimising transaction costs can also add significant value to portfolios over time. Platform functionality which allows in-specie transfer of assets both in and out of managed portfolios as well as netting, which minimises unnecessary buys and sells across client investments on the platform, can help achieve this.

Another feature of many advanced platforms today is the ability to set exclusions or substitutions to certain stocks or sectors, adding flexibility to adjust portfolios to meet the client's individual needs.

While not all managed portfolios offer these capabilities, it is clear they can help advisers provide tailored portfolios, transparency and functionality that supports the delivery of an enhanced client value proposition.

Technology

assists advisers to add value to the advice they deliver and to customise their platform solution to fit the needs of their clients.

Profitability and practice value

In the face of margin compression through the advice chain, arising from factors such as the rising cost of professional indemnity insurance, licence fees, asset costs and the costs of production, there is a renewed focus on business profitability and EBIT.

This has shined the light on technologies such as managed portfolios which can assist advice practices with client outcomes and engagement, while delivering business efficiencies and value.

It is the impact managed portfolios can have on business value which is increasingly capturing the attention of advisers as they assess their futures. In the wake of the Financial Services Royal Commission, the lifting of professional standards and the breakdown of the vertically integrated business model, many advisers are reassessing their businesses and their profitability.

It is in this environment which managed portfolios are proving to be an attractive game changer.

According to Forte Asset Solutions Managing Director Steve Prendeville, while advice practices differ, the introduction of managed portfolios to an advice practice can lead to a

30%

increase in profitability.¹

This is because of the transformational impact the introduction of managed portfolios has on an advice practice, triggering a holistic change which typically includes the review of pricing models, a refinement of the client value proposition (CVP), the introduction of better technologies for efficient processes, corporate governance and compliance.

Business improvements across these areas can help to make an advice practice stronger, more efficient, and more profitable. Driving this change are technologies and capabilities which sit within managed portfolios.



[What challenges are practices looking to solve?](#) 5 min 38s



[Steve Prendeville on the outlook for valuations](#) 4 min 39s



[The stockbroker revolution](#) 15 min read



[How managed portfolios transformed our business](#) 3 min read

¹ HUB24 Whitepaper: Redesigning a practice, July 2019.

Redesigning a practice: A case study

In a whitepaper released by HUB24 in 2019, Forte Asset Solutions conducted a case study with an advice practice which integrated managed portfolios into their business.

At the time, the business was experiencing increasing costs in compliance and personal indemnity insurance which was leading to static profitability. Staff were at full capacity and there was a desire to deepen its CVP.

The business implemented a three-year plan which started with the selection of a managed portfolio provider and the move to a fixed fee structure.

By year two, 40% of clients had migrated funds under management (FUM) to the new offer and by year three, 89% of clients had migrated their funds across.

Over the three-year period, FUM grew by 30% and gross revenue increased by 85%.

The power of a single significant change such as the introduction of managed portfolios, enables business transformation, which in the current business environment is assisting many advice practices to prepare for the future.



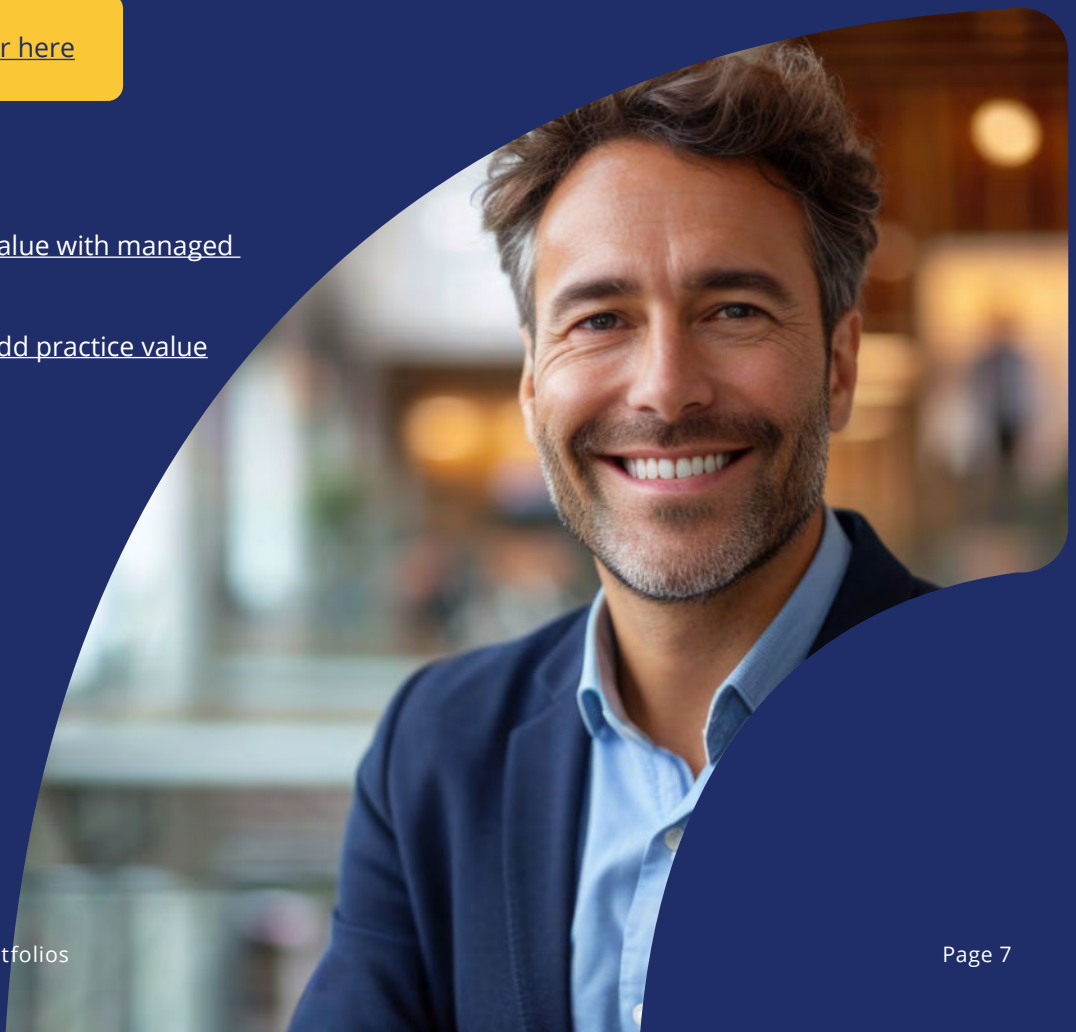
[Read the full paper here](#)



[Enhancing business value with managed portfolios](#) 2min 53s



[Managed portfolios add practice value](#) 1 min read



The 6 steps to re-engineer your practice with managed portfolios

Now that you have identified the benefits and decided to redefine and re-engineer your practice operation to incorporate managed portfolios, the change process begins.

 [How to transition your business to managed portfolios](#) 5 min 29s

Utilising corporate business change frameworks along with learnings from others who have been on this journey before you, have enabled us to identify 6 steps that may help smooth your journey and give you guidance around an implementation plan that may work for you.

1

Identify your future model and client value proposition


What is your future state model and vision you have for your business?

What areas have you identified that managed portfolios will resolve for your business?

Have you determined what your new Client Value Proposition and service offering will look like?

Have you reviewed, aligned, and clarified your pricing model?

Have you made a clear commitment to re-engineer your practice model?

 [Managed portfolios: Friction, efficiency and effectiveness](#) 2min 37s

 [Perception of client value](#) 5min 51s

2

Align your investment philosophy beliefs

Have you determined your comfort level of industrialising and in-sourcing additional investment capability into your business?

Define your core investment beliefs and underlying investment vehicle preferences.


Decide on level of asset manager in-sourcing: required (full, partial, asset allocation, sectors)?

Have you considered efficiency, control, and responsibility trade-offs?

Do you have a preferred Asset manager, research house or boutique asset consultant?

Do you prefer simple off-the-shelf or more complex tailored managed portfolio solutions?

Have you aligned, short listed and engaged with preferred asset consultants?

 [Redefining your investment philosophy](#) 4min 37s

3

Choose your structure and service partners

Have you chosen your strategic partners (platform and investment providers)?

Have you determined your preferred managed portfolio structure: SMA (off-the-shelf or tailored) or MDA?

Have you engaged with your platform and investment manager BDMS to commence setting up?

Have you confirmed your platform transition service requirements and time frames?

Have you engaged with your platform TRM (Training relationship manager) to organise systems and trading training?

 [Understanding the challenges of change](#)
10min 26s

4


Discovery and planning

Have you nominated a transitions champion and formed a project working group?

Have you provided your platform transition team with client data to enable a complete client base analysis?

Have you assessed the book analysis and individual client fee comparisons?

Has your project plan outlining the strategy and client transition plan been agreed to and finalised?

 [Guiding purpose and implementation strategy](#) 7min 40s

5


Preparation and set-up

Have you reviewed the transition team provided SOA templates, tools, calculators, and template text and adapted to your business needs?

Have you completed your initial client onboarding training with your dedicated platform TRM (training relationship manager)?

Have you agreed with your transitions consultant on start dates and time frames for the transition process?

Have you received pre-populated client application and supporting documents to support transitions?

 [How to transform your business with managed portfolios](#) 3min 41s

6

Implementation and tracking

Are you meeting regularly with the platform transitions teams to review overall progress and addressing any blockages?

Are you using the migration tracker reports provided to monitor progress?

Is your transition champion working with your platform transitions team to complete necessary paperwork?

Are 3rd parties being followed up to help streamline and progress processing?

Have you set clear milestones and celebrating success when achieved?



Choosing the right transition partner

To transform to a managed portfolio business model, an initial Statement of Advice (SOA) for each client is required. An initial analysis of your existing clients to identify and satisfy BID requirements will be essential.

Assistance with segmentation, the SOA process and population of documentation will make the process of transition more efficient.

Many managed portfolio administration platforms offer a service to help navigate these requirements.

We suggest you enquire about the size and experience of the transition team you may have access to, to demonstrate templates and processes used as well as examples of recent transitions of similar type and size.

Choosing the right specialist and dedicated transition team who has both the experience, and the systems in place to assist you in your journey of client transition, may ultimately save you time and ease some of the burden for you.

Understanding the HUB24 transition process

The HUB24 business enablement team is an experienced project management and consulting team, dedicated to supporting your business and client transition to HUB24.

Our Project Management Roles

Develop and implement Transition Project Plan

Client data collection, asset assessment and review, including:

- Platform fee comparison
 - In-specie transfer requirements
 - Asset cost base data
 - Stamp duty calculations
 - Insurance transfer requirements
-

Assist with SOA and Review Letter templates

End to end coordination and key contact support

Our Client Migration Administrative Roles

Pre-population of HUB24 Application Forms

Complete and track all In-Specie Transfer and Rollover Forms with third parties

Assist with insurance transfers

Establishment of new accounts

HUB24 follows a four-step transition process, designed to help you manage clients, staff and your business.

Step 1: Understand your business and plan your transition

What you do

- Agree with your BDM to proceed with the transition
- Nominate a Transition Champion for your practice
- Provide us with relevant client data to conduct analysis

How we help

- Understand your business and give you options for transitioning to HUB24
- Analyse your client base and identify the best approach for the transition
- Prepare Book Analysis and conduct individual client fee comparisons
- Provide you with a project plan that outlines our agreed strategy and client transition plan

Step 2: Setting up your client transitions

What you do	How we help
<ul style="list-style-type: none">• Prepare and present SOAs and other relevant paperwork for each client	<ul style="list-style-type: none">• Assist in setting up your SOA templates by providing tools, calculators and template text• Provide client onboarding and implementation, consulting and training• Pre-populate forms and applications for your clients where possible. These include but are not limited to: Application forms; In Specie Transfer forms; Rollovers; and FSC forms

Step 3: Implementing your client transitions

What you do	How we help
<ul style="list-style-type: none">• Work with our business enablement team to ensure all paperwork is• Completed and submitted	<ul style="list-style-type: none">• Meet regularly to review progress• Provide detailed reports via our migration tracker to help you monitor the progress on individual client accounts• Coordinate with Transitions Champion to complete all the necessary paperwork and ensure a smooth onboarding experience• Train and support your team as required• Liaise with third parties to help streamline the transition process

Step 4: Ongoing support for you and your staff

A six-week training program designed with both advisers and support staff in mind, making it easy for your team to learn how to use the platform.

Program includes weekly emails, links to instructional videos and quick start guides so you can choose how and when you learn.

You choose the most convenient way to engage with us:

- Your dedicated HUB24 [BDM](#)
- Call centre support
- Virtual chat that you can track via your desktop

What does your business and client experience look like now?

Consultants and advisers tell us the benefits realised from transitioning a practice to managed portfolios are:



Better client experience

Increased client value, satisfaction and communication

More flexibility and control over outcomes (incl cost & tax)

Faster responsiveness to portfolio changes
Less paperwork and implementation lag issues

All clients treated fairly and equitably regardless of size



Better business experience

A more efficiently run business

More time and clearer responsibilities

Faster responsiveness to portfolio rebalancing, resulting in less implementation lag issues.

Reduction of ROAs and investment administration paperwork

Better technology stack, systems, and process efficiency

Increased governance and compliance control, and reduced operational risk

Renewed business energy and pride in the business

Greater business sale value

About HUB24

At HUB24, we are committed to creating innovative solutions that create opportunities for you and your clients. We're not a bank or part of a bank, so we can focus on connecting you and your clients to a broad range of investment solutions for your super, pension, investment & insurance needs.

HUB24 Limited (HUB24 Ltd) is listed on the ASX (ASX:HUB). We've been in this business for over 10 years and are recognised as one of the fastest growing platforms in the market.

Because we don't manufacture our own investment products, we can focus on bringing you the widest choice of professional investment and insurance options – so you and your clients can tailor a solution that works for them.

At HUB24, we are at the forefront of our industry and we lead the change. We see the opportunities and we challenge the status quo because we love what we do, and we want to make a difference for our customers.

We are committed to staying agile and nimble, so we can keep delivering market-leading solutions that make a difference for you and your clients.

We believe in advisers and the value of advice. Our focus is on supporting the delivery of great advice and using our technology and innovation to unlock value.

¹Results from Investment Trends 2024 Platform Competitive Analysis and Benchmarking Report.

²Results from 2022 Investment Trends Adviser Technology Needs Report.

Industry recognition

Our market-leading technology and customer service excellence is recognised by the industry.

- Rated Best Platform Overall, Best Platform Managed Accounts Functionality, Most Improved in 2024, Best in Product Offering, Best in Online Business Management and Best in Decision Support Tools¹
- Rated Best Value for Money: Platform²



2024 Platform Competitive Analysis and Benchmarking Report

Best Platform Overall

HUB24



2024 Platform Competitive Analysis and Benchmarking Report

Best Platform Managed Accounts Functionality

HUB24



2024 Platform Competitive Analysis and Benchmarking Report

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2024 Platform Competitive Analysis and Benchmarking Report

Best in Product Offering

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2024 Platform Competitive Analysis and Benchmarking Report

Best in Online Business Management

HUB24



2024 Platform Competitive Analysis and Benchmarking Report

Best in Decision Support Tools

HUB24

Key terms

BUY SELL SPREAD	The buy-sell spread represents transaction costs incurred when buying or selling units in a Managed Fund (Scheme).
BID-ASK PRICE	The BID price of a stock is the price the market is prepared to pay for a stock. ASK is the price the market is prepared to sell a stock.
CGT (CAPITAL GAINS TAX)	Capital gains tax is the tax on the profit realized from the sale of investment asset which may include stocks, bonds, real estate, and property assets.
CUSTODIAN	A custodian is a legal entity that holds physical possession, legal oversight, and responsibility for the management of your financial assets. Custody involves holding assets in trust, on your behalf, for safe-keeping.
CVP (CLIENT VALUE PROPOSITION)	Potential value and service that an organisation delivers to its customers
EBIT (EARNINGS BEFORE INTEREST AND TAX)	An indicator of a company's profitability. EBIT can be calculated as revenue minus expenses excluding tax and interest.
ETF (EXCHANGE TRADED FUND)	A pooled fund of diversified securities that tracks an index and trades like a single stock on an exchange.
FIFO (FIRST IN, FIRST OUT)	A tax method in which assets acquired first are sold or disposed of first.
IDPS (INVESTOR DIRECTED PORTFOLIO SERVICE)	An investment structure used to provide access to a wide variety of investment assets including managed investments, shares, fixed interest, and cash investments, through the one offering. A key advantage of this is that reports are prepared for investors in one statement.
IMA (INDIVIDUALLY MANAGED ACCOUNT)	An IMA is an MDA investment program involving a contract between client, advisor and MDA provider and attempts to manage an account individually outside of a standard model portfolio method, enabling customisation to specific investor tax needs and risk tolerances.
IN SPECIE TRANSFER	Transferring an asset 'in specie' means to transfer the ownership of that asset from one entity to another entity in its current form without the need to convert the asset to cash.
INDEX	A basket of securities representing a market or sector.
LIC (LISTED INVESTMENT COMPANY)	An LIC is a close-ended investment vehicle (company) that pools investors' money in a similar way to a fund to buy assets such as cash, shares, bonds, and listed property trusts. An LIC can trade at a premium or discount to its net tangible assets based on market conditions and supply demand.
MANAGED PORTFOLIO	Also known as a Managed Account or Separately Managed Account (SMA), a collection of assets (super or investment) managed by a professional portfolio manager. When you invest in a managed portfolio, you own a beneficial interest in the underlying assets, rather than units in a fund. This gives you greater levels of transparency, flexibility, and control, and may allow for your adviser to optimise cost and tax outcomes for your account.

MASTER TRUST	An investment vehicle that collectively manages a range of pooled investments under one structure.
MAX GAIN	A tax method in which disposals of assets are allocated against the parcels that will generate the highest taxable gain
MDA (MANAGED DISCRETIONARY ACCOUNT)	Under an MDA agreement an MDA operator recommends, builds, and manages a personalised portfolio for investors. An MDA is fundamentally different to many other financial products because it is not a managed investment scheme (where investors buy units) and assets aren't combined with others under a custody structure.
MDA OPERATOR	Under an MDA agreement, investors provide an MDA operator with the right to manage their investments on their behalf.
MIN GAIN	A tax method in which disposals of assets are allocated against parcels that generate the lowest capital gain.
MIS (MANAGED INVESTMENT SCHEME)	Also known as a managed fund, an MIS scheme where investors acquire units and rights to benefits produced by the scheme. Investments are pooled to produce financial benefits for the members of the scheme, but members do not have control over the day-to-day operation of the scheme.
NETTING	A method of reducing credit, settlement and other risks of financial contracts by aggregating (combining) two or more obligations to achieve a reduced net obligation.
PORTFOLIO MANAGER	A professional manager responsible for investment strategy, investment selection and portfolio trading activities.
PDS (PRODUCT DISCLOSURE STATEMENT)	A document that financial service providers must provide to investors when offering a financial product. It must include information about product key features, fees, commission, benefits, risks and complaints handling procedure.
RE (RESPONSIBLE ENTITY)	A licensed entity or body that holds responsibility for operating a managed investment scheme.
ROA (RECORD OF ADVICE)	A document that records the advice given by a licensed financial adviser. Similar to a Statement of Advice (SOA) but shorter and less formal. Often given to existing clients to confirm changes to, or implementation of, advice provided in a previous SOA.
SOA (STATEMENT OF ADVICE)	A document that sets out the advice given to an investor by their licensed financial adviser. It must include the basis on which the advice is given, details of the providing entity, and information on any payments or benefits the adviser or licensee may receive.
TAX OPTIMISATION	The use of parcel selection (Min Gain, FIFO, Maximum gain) to reduce or optimise tax liability to best suit an individual's circumstances.
TRUSTEE	A bank or trust company appointed to act in a fiduciary capacity to execute the duties of a trust.
UMA (UNIFIED MANAGED ACCOUNT)	An account where client assets held in various places can be managed via multiple data feeds in one place. UMA's are typically managed under an MDA contract.
WRAP ACCOUNT	Wrap accounts enable investors to conveniently hold all their managed funds and direct share assets together in the one structure, providing ease of transactions and consolidated reporting.

Want to learn more?

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

➔ Connect with your local HUB24 BDM

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