IMAP ADVISER ROADSHOW 2021

PROFESSIONALISM UNDER ADVERSITY

SYDNEY

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Alan Logan
Marcona Partners

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IMAP

Institute of Managed Account Professionals

What I learned from 15 years advising through Managed Accounts

John McIlroy, Crystal Wealth Partners

Martin Crabb, Shaw & Partners

Moderated by Martin Morris, Praemium

“Barbell” Strategies for Managed Account Portfolios

Vinnie Wadhera, Betashares

BetaShares

Barbell strategies: Building better portfolios

Vinnie Wadhera
Executive Director

Important information

This presentation is for financial advisers only and must not be distributed or made available to retail clients.

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Why is the current focus problematic?

A focus on short-term market behaviour:

- Leads to reactive behaviour, and attempting to "time the market"
- Obscures important longer term structural challenges

Understanding our limitations

- Our ability to predict the occurrence of market crash/rally is poor
- But we are reasonably accurate at predicting an asset class's reaction to a given event

"It is far easier to figure out if something is fragile than to predict the occurrence of an event that will harm it."

Nassim Taleb, Antifragile, 2012

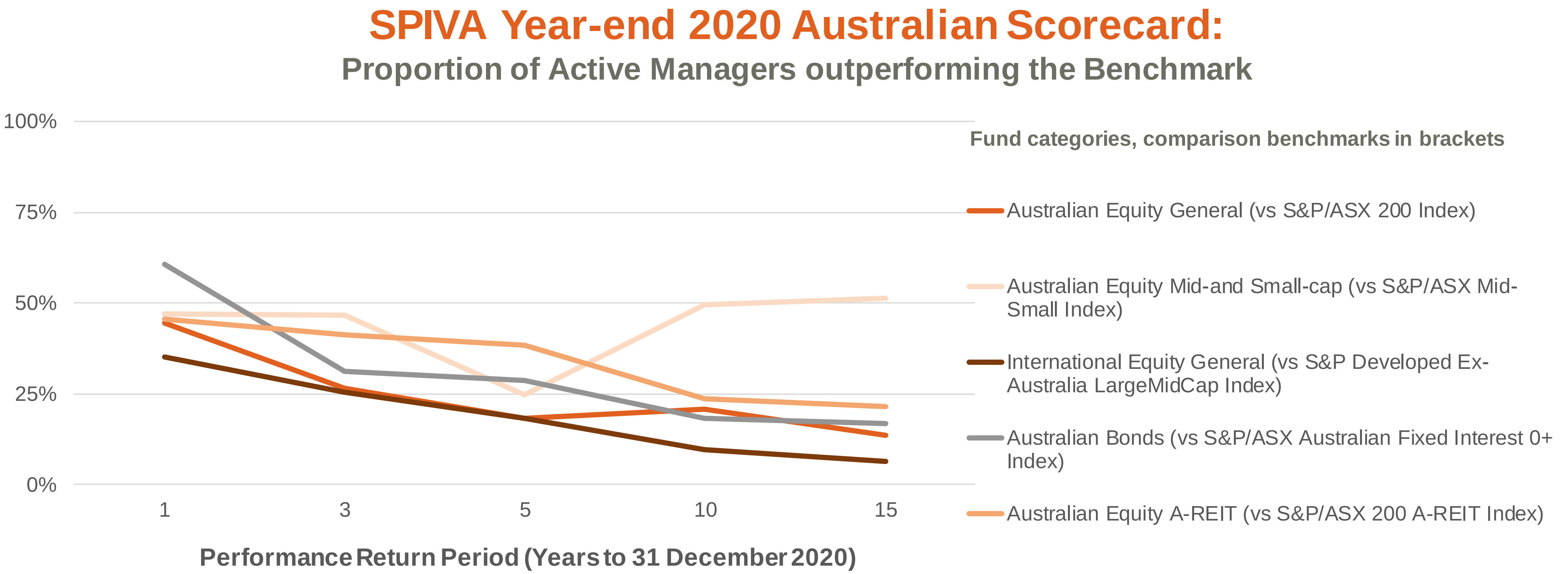
How should we construct portfolios?

- Plan for a range of scenarios, not just the outcome we think is most likely
- **Does not necessarily mean we should use active managers or stick to vanilla, broad market investment exposures**

THE PROBLEM

THE SOLUTION

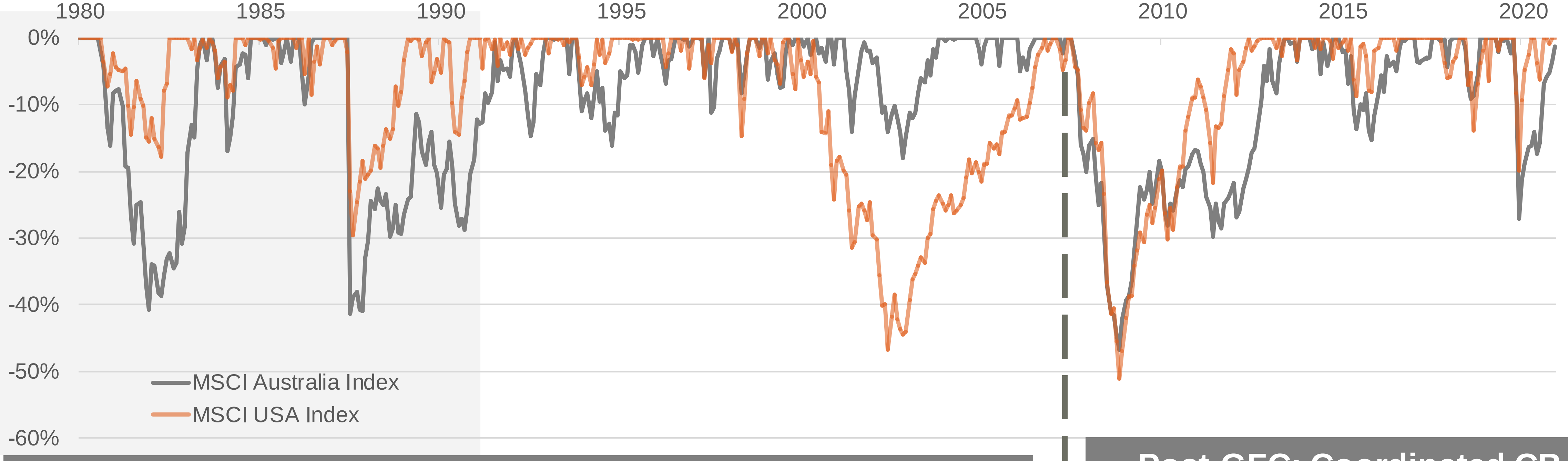
Difficult for active managers to outperform over time



Sources: S&P Dow Jones Indices LLC, Morningstar. Data as at 31 December 2020. **Past performance, whether actual or back-tested, is not indicative of future performance.** Chart is provided for illustrative purposes and reflects hypothetical historical performance. The S&P/ASX Australian Fixed Interest 0+ Index was launched 5 September 2014. The S&P/ASX Mid-Small was launched 15 August 2011. All information prior to an index's launch date is back-tested (not actual), using the methodology in effect on the index launch date. Please note there are inherent limitations with back-tested performance.

Broad market global equity indices offer less diversification

Australian and U.S. Equity Indices drawdowns: Mar 1980 – Mar 2021



Pre-GFC: Lower global economic integration
US/Australian equity index correlation = 0.50

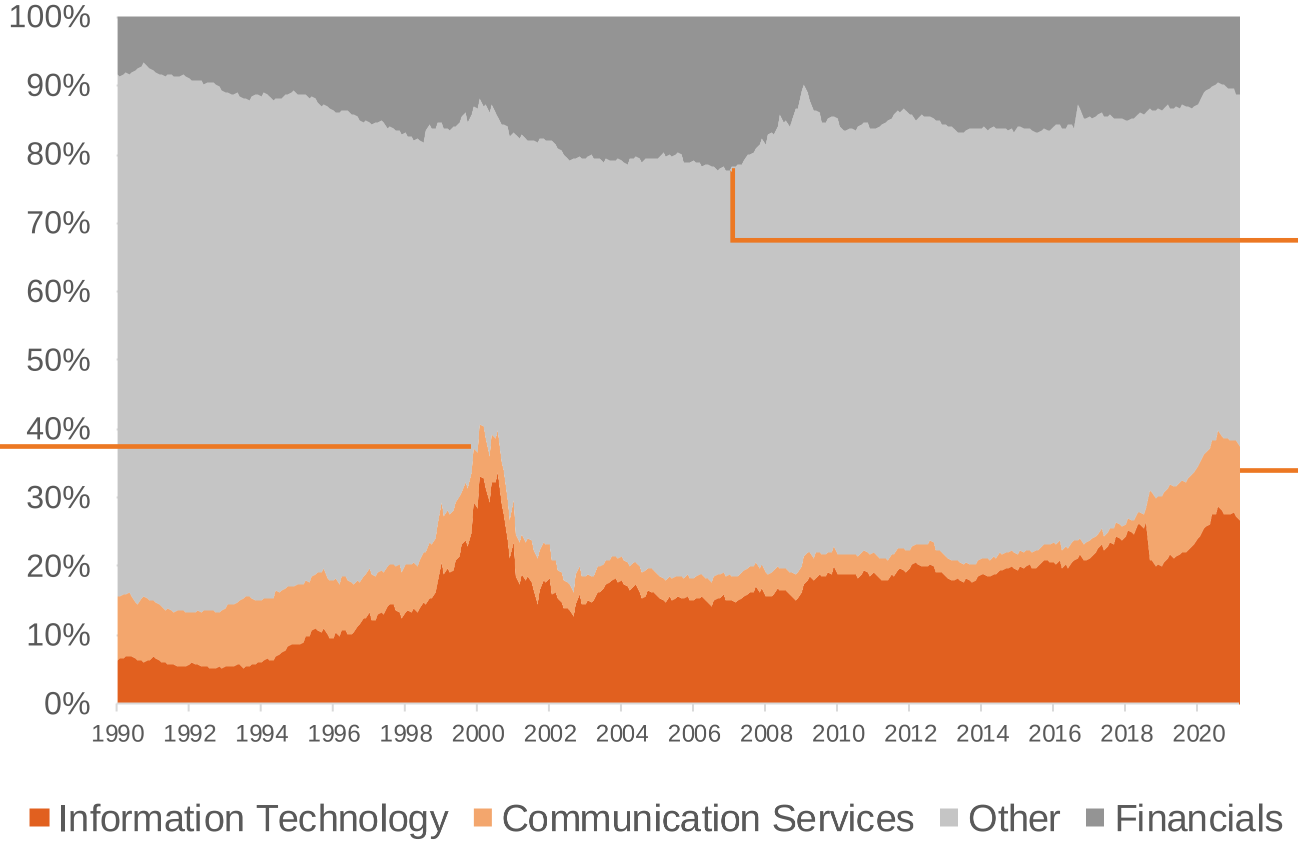
Post-GFC: Coordinated CB stimulus driving all risk assets
Correlation = 0.76

Source: Bloomberg, BetaShares Capital. Chart is provided for illustrative purposes. Draw down data based on monthly total returns of the MSCI Australia Index (AUD) and MSCI USA Index (USD) for the period 31 March 1980 – 31 March 2021. The correlations shown between these two indices is calculated for the "Pre-GFC" period, up to 31 October 2007, and for the "post-GFC" period from 30 November 2007 You cannot invest directly in an index. Index performance does not take into account any ETF fees and costs. Past performance is not indicative of future performance of any index or ETF.

Equity index compositions change over time, which can increase risk

Sector Breakdown of S&P500 Index has varied widely over time

Broad market indices can be subject to bubbles and changing risk profiles over time



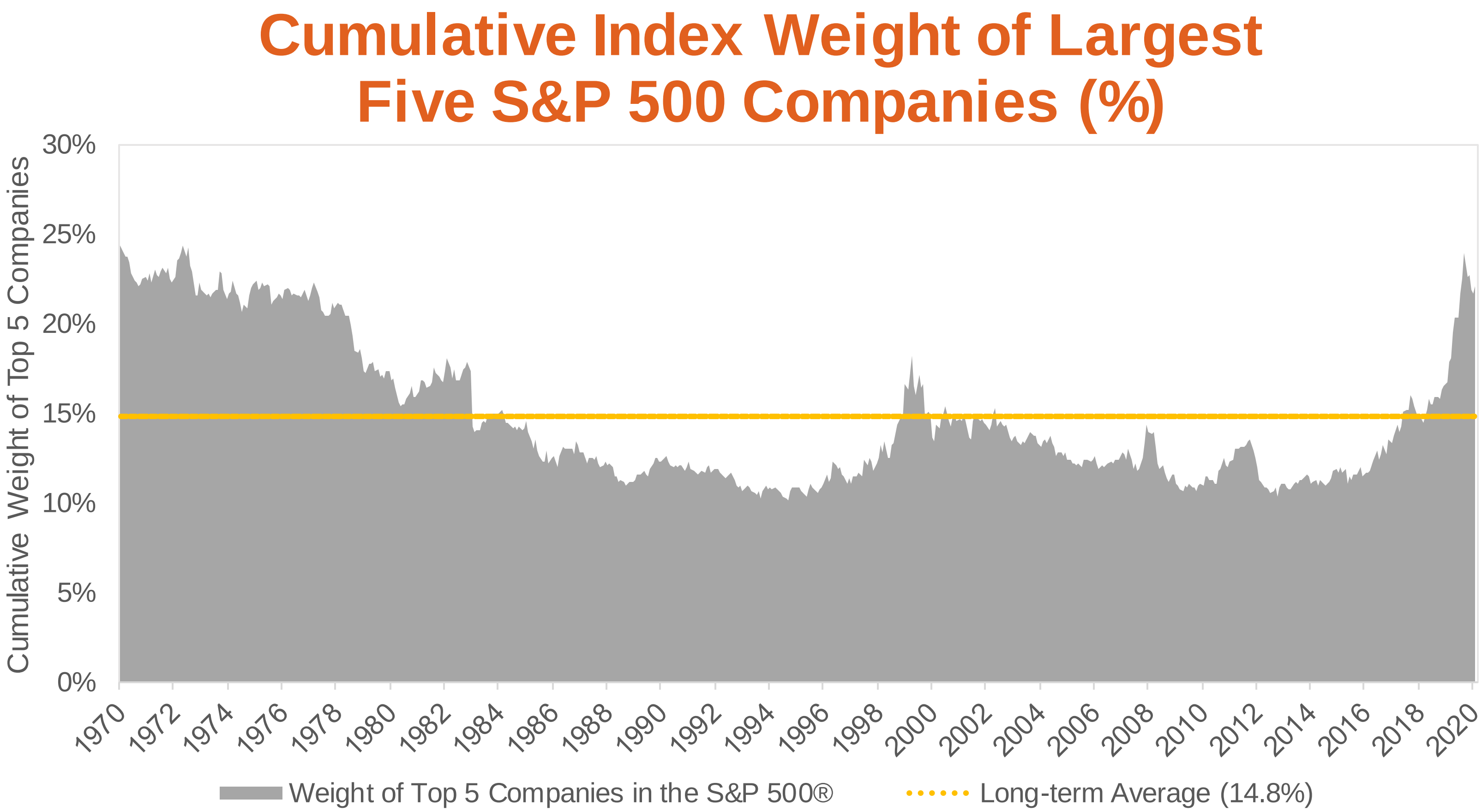
Increasing concentration in IT during Tech Bubble

Pre-GFC creep up Financials %

2020 COVID-related outperformance of tech-related stocks

Source: Bloomberg, BetaShares Capital. Data from 1 Jan. 1990 to 31 March 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the start of this presentation for more information regarding the inherent limitations associated with back-tested performance.

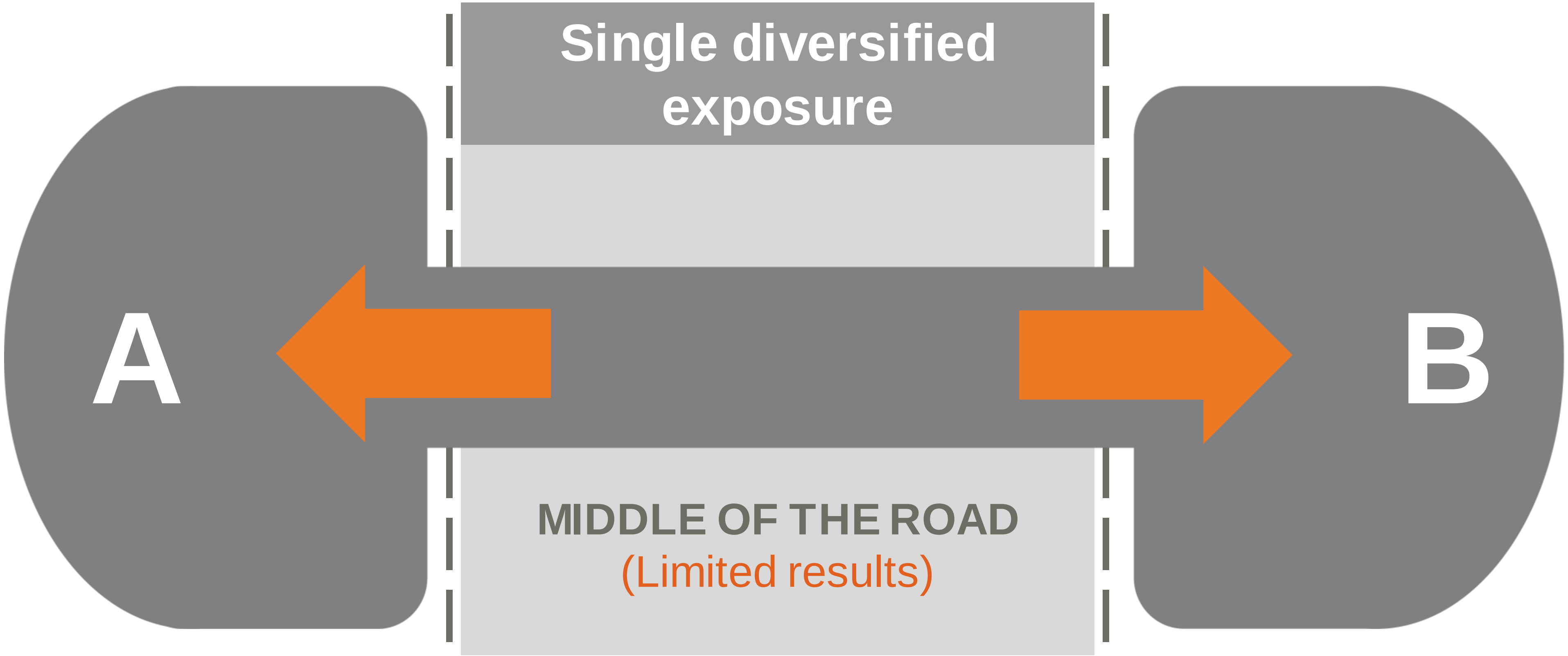
Equity index compositions change over time, which can increase risk



Source: S&P Dow Jones Indices LLC. Chart shows cumulative weight of largest five S&P 500 companies based on month-end constituents. Data from December 1970 to January 2021. Chart is provided for illustrative purposes. You cannot invest directly in an index. Past performance is not indicative of future performance of any index.

Introducing the Barbell Approach

What is a barbell strategy



"A Barbell can be any dual strategy composed of extremes, without the corruption of the middle"

Nassim Taleb, Antifragile, 2012

Why use a barbell strategy

The performance and diversification benefits of barbell strategies are well suited to volatile and uncertain markets, such as those we currently face. Barbell strategies:

Generally robust through market cycles

Often add the most value in unpredictable markets

Should benefit from large changes in the market regardless of direction (known as "Convexity"/" Positive Skew")

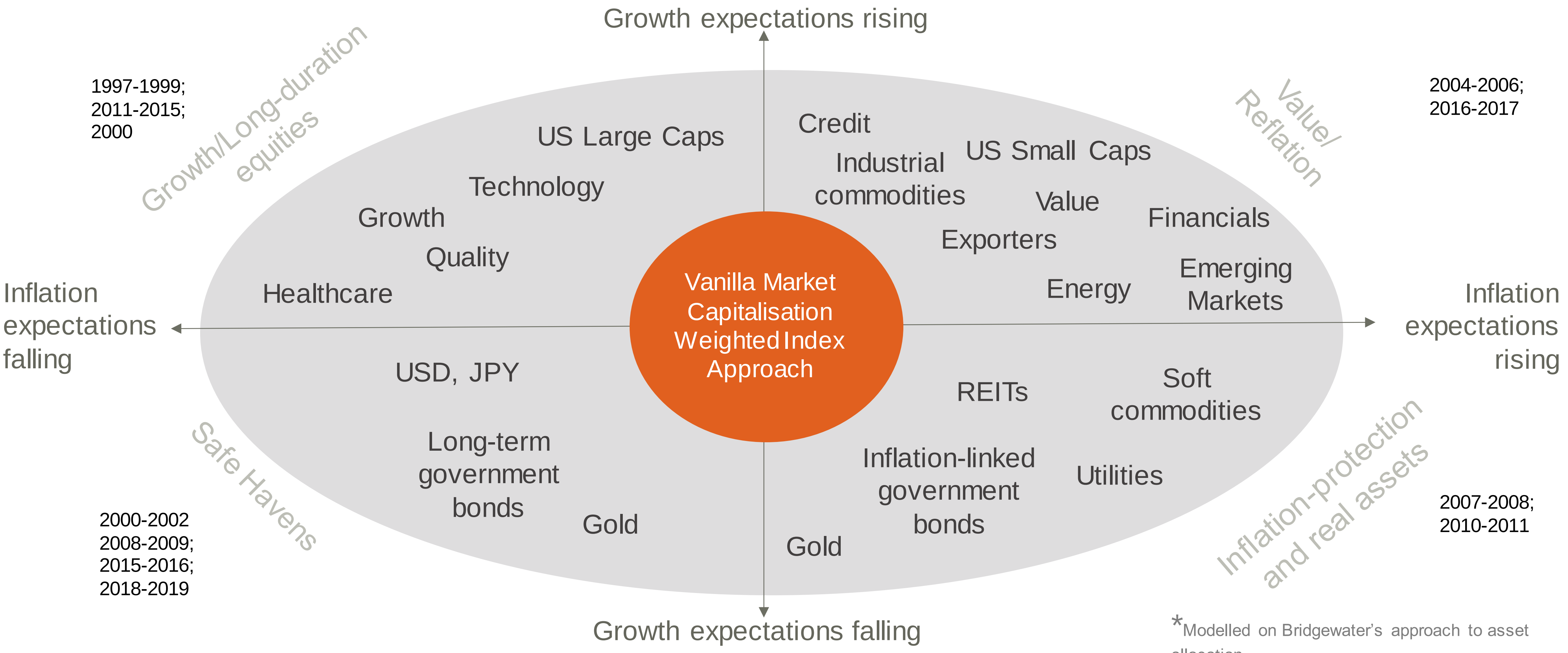
What types of exposures to look for when constructing barbells

Select exposures with distinctly different drivers of returns, that ideally "pull" in opposite directions

Example: Growth versus Value		
Growth/Long-Duration Exposures	**MIDDLE OF THE ROAD** (Limited results)	**Value/Reflation Exposures**

▸ Harness Long-term Structural trends
▸ Disruptive/Emerging Companies
▸ Anticipate the Future
  ▸ "Next time will be different"
▸ Momentum
▸ Longer term time frame
		▸ Leveraged to the Economic Cycle
		▸ Established Industries
		▸ Learn from the Past
		  ▸ "History repeats itself"
		▸ Mean reversion
		▸ Short/Medium term time frame

Where to potentially find desired exposures for building barbells



*Modelled on Bridgewater's approach to asset allocation

Portfolio Implementation Examples

International Equity Barbell: U.S. Equities

Growth/Long-Duration Barbell

Value/Reflation Barbell

BetaShares NASDAQ 100 ETF (ASX Code: NDQ)

Aims to track the performance of the NASDAQ-100 Index

BetaShares S&P 500 Equal Weight ETF (ASX Code: QUS)

Aims to track the performance of the S&P 500 Equal Weight Index

Growth/Tech
Falling inflation expectations
Secular Growth
Large Size
Momentum

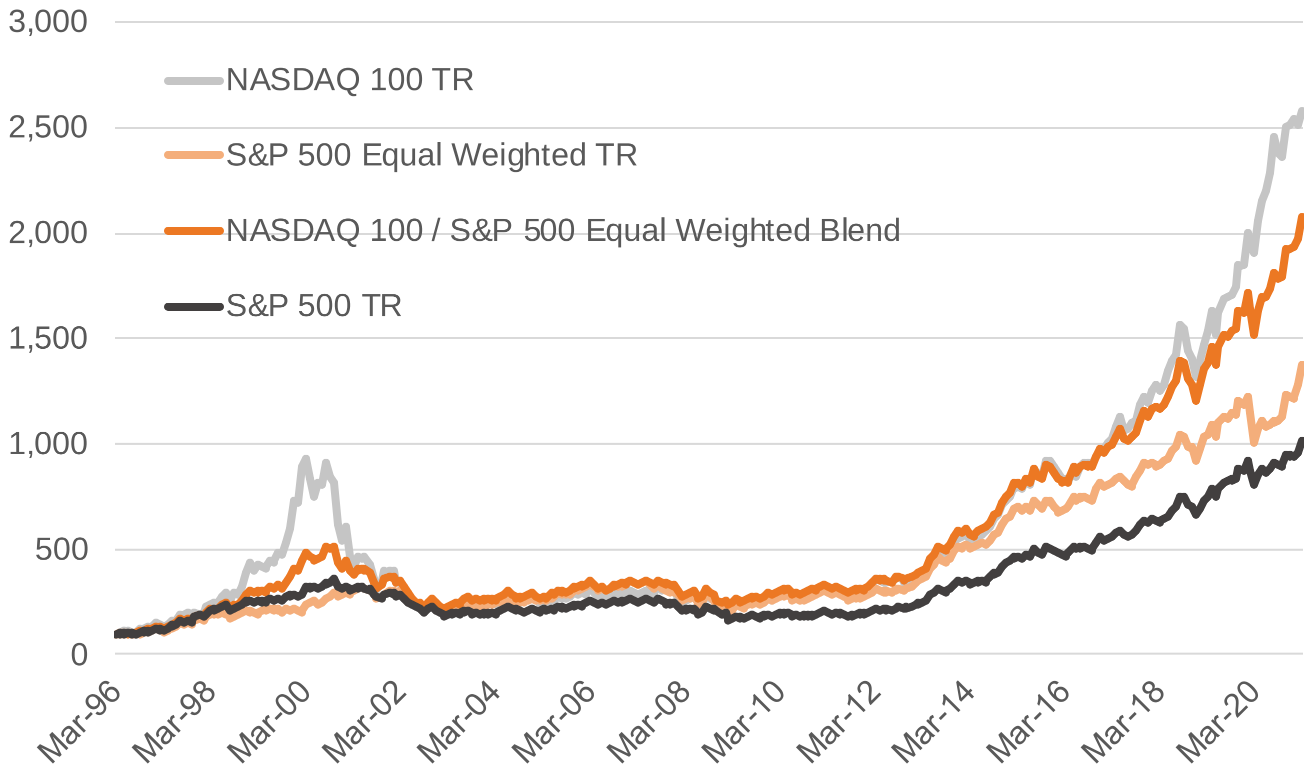
Equal Weight
Rising inflation expectations
Cyclical Growth
Smaller Size
Mean Reversion

Provided for illustrative purposes only. Not a recommendation to make any investment decision or adopt any investment strategy.

International Equity Barbell: U.S. Equities

Barbelling S&P 500 Equal Weight with Nasdaq 100 Index

Total return monthly indices (in AUD)



The last 25 years have demonstrated how the benefits of "barbelling" these two U.S. equity exposures may provide better overall risk adjusted returns than the broad market index

	Nasdaq 100	S&P 500 Equal Weight	Nasdaq/ S&P 500 EW Blend	S&P 500 (Mkt Cap)
Total Return (p.a.)	13.87%	11.05%	12.89%	9.70%
Volatility	22.96%	14.79%	17.22%	13.71%
Sharpe Ratio	0.50	0.59	0.61	0.54

Source: Bloomberg, S&P Dow Jones, BetaShares Capital. Total Returns are shown in AUD for the 25 year period 31 March 1996 to 31 March 2021, all series rebased to a starting value of 100. The Nasdaq 100/S&P500 Equal Weight Blend returns assume monthly rebalancing to a 50:50 allocation. For the calculation of the Sharpe Ratios an average risk-free rate of 2.3% was used. Not a recommendation to invest or adopt any investment strategy. You cannot invest directly in an index. Index performance does not take into account any ETF fees and costs. **Past performance is not indicative of future performance of any index or ETF.**

Australian Equity Barbell

Growth/Long-Duration Barbell

Value/Reflation Barbell

EX20
ATEC
FAIR

QOZ
QFN
QRE

BetaShares Australian Ex-20 Portfolio Diversifier ETF (ASX Code: EX20)

Aims to track the performance of an index comprising the 180 largest stocks listed on the ASX, after excluding the 20 largest (based on their market capitalisation).

ASX Mid-Cap Growth
Secular Growth
Smaller Size
Momentum
Falling inflation expectations

ASX Fundamental Indexing
Cyclical Growth
Large Size
Mean Reversion
Rising inflation expectations

BetaShares FTSE RAFI Australia 200 ETF (ASX Code: QOZ)

Provides exposure to a diversified portfolio of 200 Australian equities, weighted in a way that is reflective of the economic importance rather than the market capitalization.

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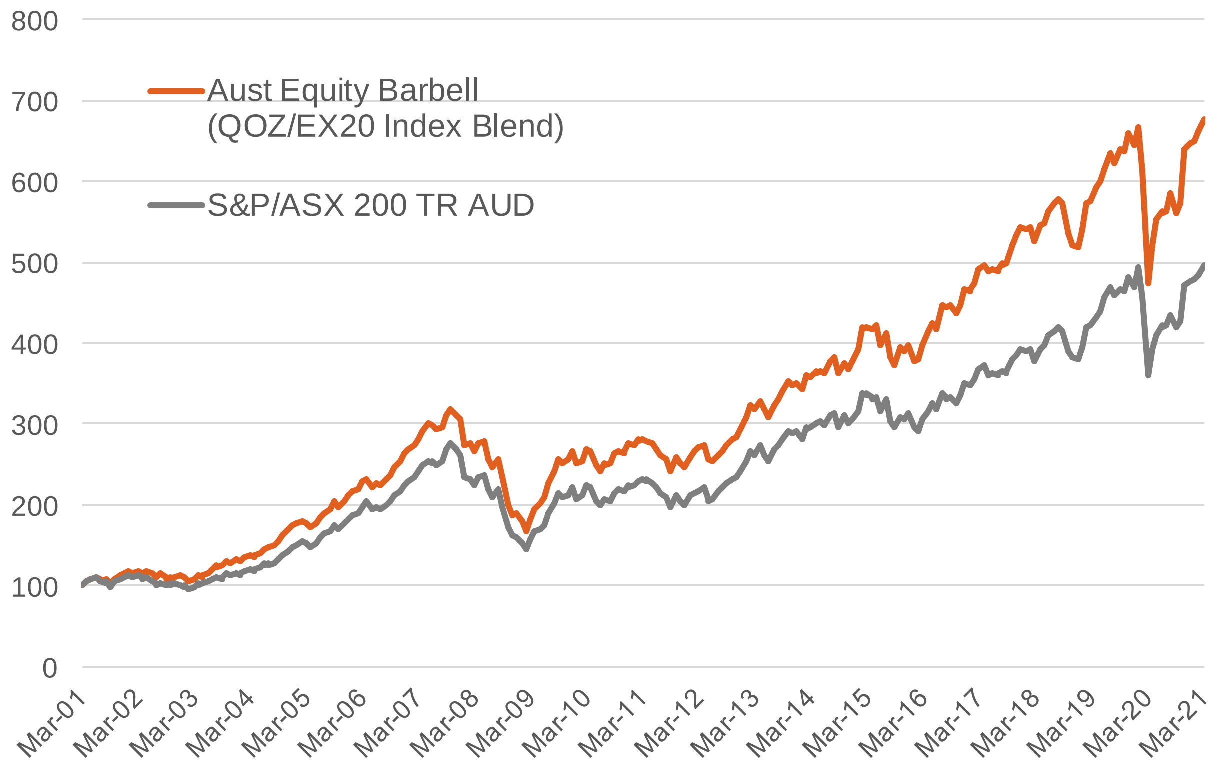
Australian Equity Barbell

Barbelling ASX Fundamental Indexing with ASX EX-20 exposure

Total return monthly indices (in AUD)



Australian Equities are heavily skewed to value/cyclicals.

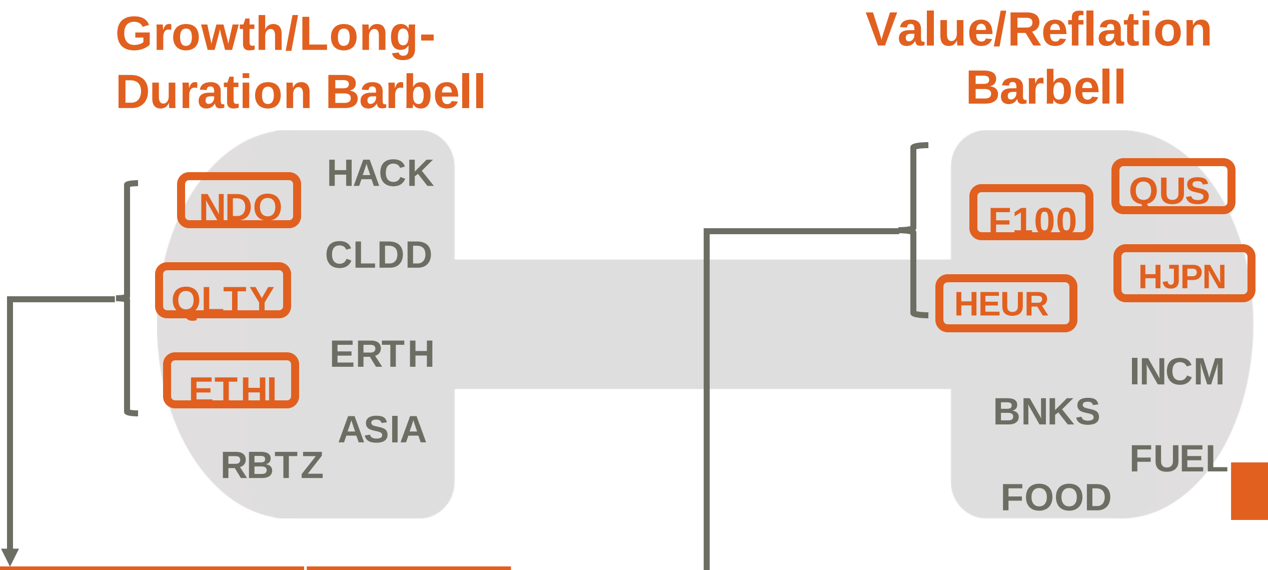
This Barbell provides balance:

- Accessing Growth: EX20 exposure that overweights the midcap segment of Australian Equities
- Accessing a dynamic value tilt with mean reversion: Through a Fundamental Indexing approach

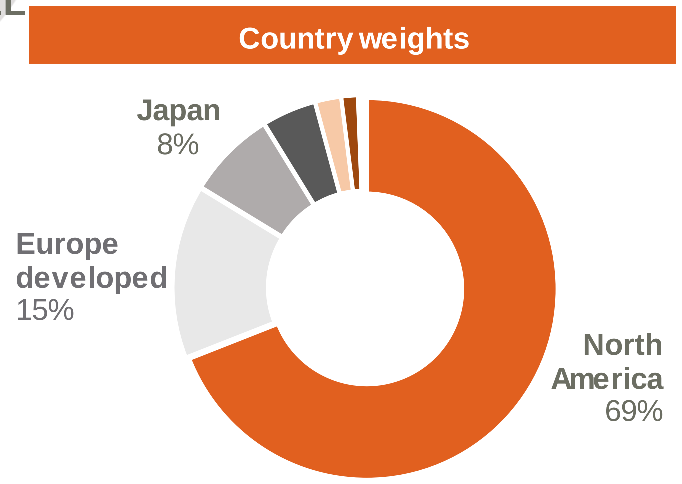
	QOZ Index	EX20 Index	QOZ/EX20 Index Blend	ASX200 TR
Total Return (p.a.)	10.00%	9.98%	10.04%	8.34%
Volatility	13.66%	14.15%	13.60%	13.49%
Sharpe Ratio	0.56	0.54	0.57	0.45

Source: Bloomberg, S&P Dow Jones, BetaShares Capital. Total Returns are for the period 30 March 2001 to 31 March 2021, based on common index inception. All series rebased to a starting value of 100. The QOZ Index is the FTSE RAFI Australia 200 Index. For this analysis the Nasdaq Australia Completion Cap Total Return Index is used as the EX20 Index (noting that since 19 March 2021, EX20 seeks to track the Solactive Australia ex 20 Index). The QOZ/EX20 Index Blend returns assume monthly rebalancing to a 50:50 allocation. For the calculation of the Sharpe Ratios an average risk-free rate of 2.3% was used. Not a recommendation to invest or adopt any investment strategy. You cannot invest directly in an index. Index performance does not take into account any ETF fees and costs. **Past performance is not indicative of future performance of any index or ETF.**

International Equity Barbell: Weighted by country



ASX Code	Fund Name	Portfolio Allocation
QUS	BetaShares S&P 500 Equal Weight ETF	30.0%
QLTY	BetaShares Global Quality Leaders ETF	22.5%
ETHI	BetaShares Global Sustainability Leaders ETF	20.0%
NDQ	BetaShares NASDAQ 100 ETF	10.0%
HEUR	BetaShares Europe ETF - Currency Hedged	7.5%
F100	BetaShares FTSE 100 ETF	5.0%
HJPN	BetaShares Japan ETF - Currency Hedged	5.0%



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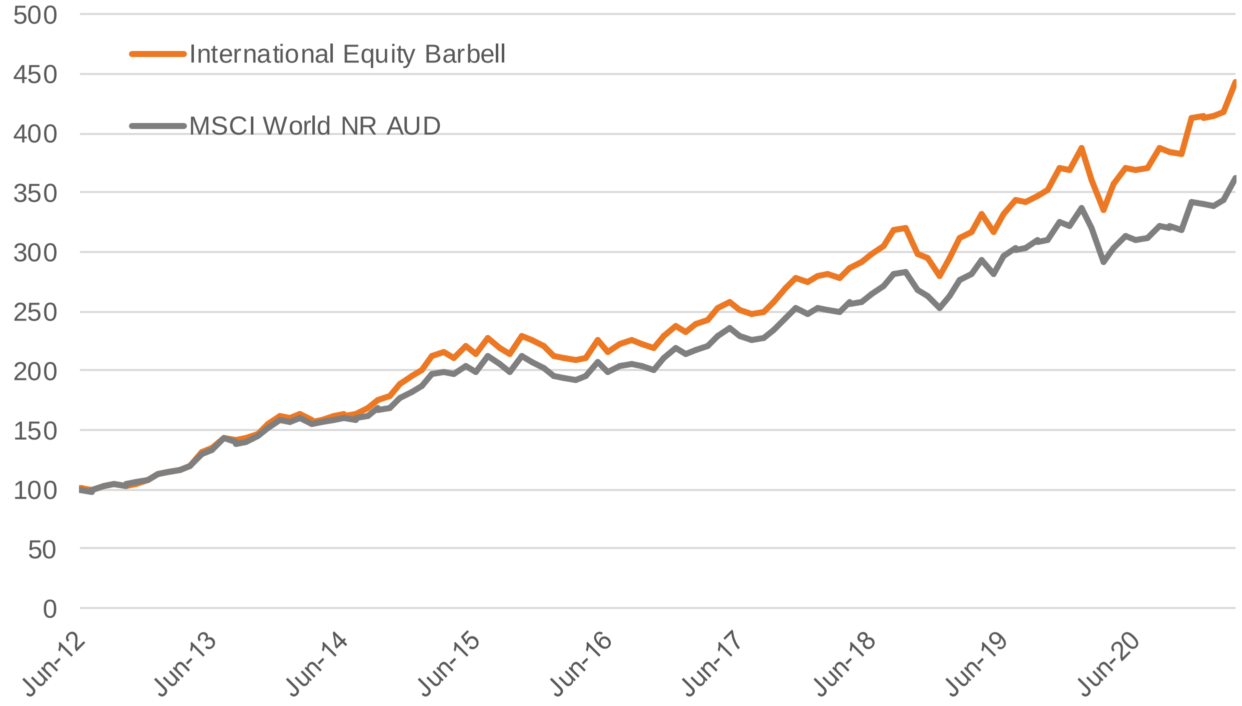
International Equity Barbell

Country-weight matching MSCI World with Growth and Cyclical Barbells

Total return monthly indices (in AUD)



Geographically diversification – combining growth and value in a barbell.

The barbell portfolio shown here has outperformed all years since common inception, except 2016.

	Int Equity Barbell	MSCI WORLD NR
Total Return (p.a.)	18.50%	15.83%
Volatility	11.49%	10.77%
Sharpe Ratio	1.38	1.25

Source: Morningstar Direct, BetaShares Capital. Total Returns are for the period 29 June 2012 to 31 March 2021, based on common index inception. All series rebased to a starting value of 100. The International Equity Barbell returns are based on the performance of the relevant ETF (excluding for QUS), using each ETF's index data for the period prior to inception, taking into account each ETFs fees and costs. For QUS, current index returns less fees and costs were used for the entire period, including 18 December 2021 when QUS's investment objective changed to track the S&P 500 Equal Weight Index. The International Equity Barbell returns assume monthly rebalancing to the portfolio allocations shown on the previous slide. Not a recommendation to invest or adopt any investment strategy. You cannot invest directly in an index. MSCI World NR Index performance does not take into account any ETF fees and costs. **Past performance is not indicative of future performance of any index or ETF.**

Barbells within Fixed Income

Long Duration Barbell

AGVT

GGOV

USD

Short Duration Barbell

AAA

QPON

HBRD

BetaShares Australian Government Bond ETF (ASX Code: AGVT)

Aims to track the performance of an index that provides exposure to a portfolio of high-quality Australian government bonds

BetaShares Australian High Interest Cash ETF (ASX Code: AAA)

Invests in nothing other than cash deposits with major banks, providing high levels of capital stability.

Use these two exposures in Barbell to:

- Duration-match broad market fixed income index; OR
- Tailor Fixed Income barbell to suit investor preferences

Provided for illustrative purposes only. Not a recommendation to make any investment decision or adopt any investment strategy.

Barbells within Fixed Income

Barbelling the "wings" for better higher expected returns or tailored duration exposure

AAA Weight	AGVT Weight	Duration (yrs)	Yield	Roll	Fee	Exp Total Return after fee
100%	0%	0	**0.55%**	**0.00%**	0.18%	**0.37%**
80%	20%	1.57	**0.76%**	**0.26%**	0.19%	**0.83%**
60%	40%	3.13	**0.96%**	**0.52%**	0.20%	**1.28%**
40%	60%	4.70	**1.16%**	**0.78%**	0.20%	**1.73%**
20%	80%	6.26	**1.36%**	**1.04%**	0.21%	**2.19%**
0%	100%	7.83	**1.56%**	**1.29%**	0.22%	**2.64%**

Duration match the AusBond Composite 0+Yr Index:

- Higher expected return **AND** higher credit quality

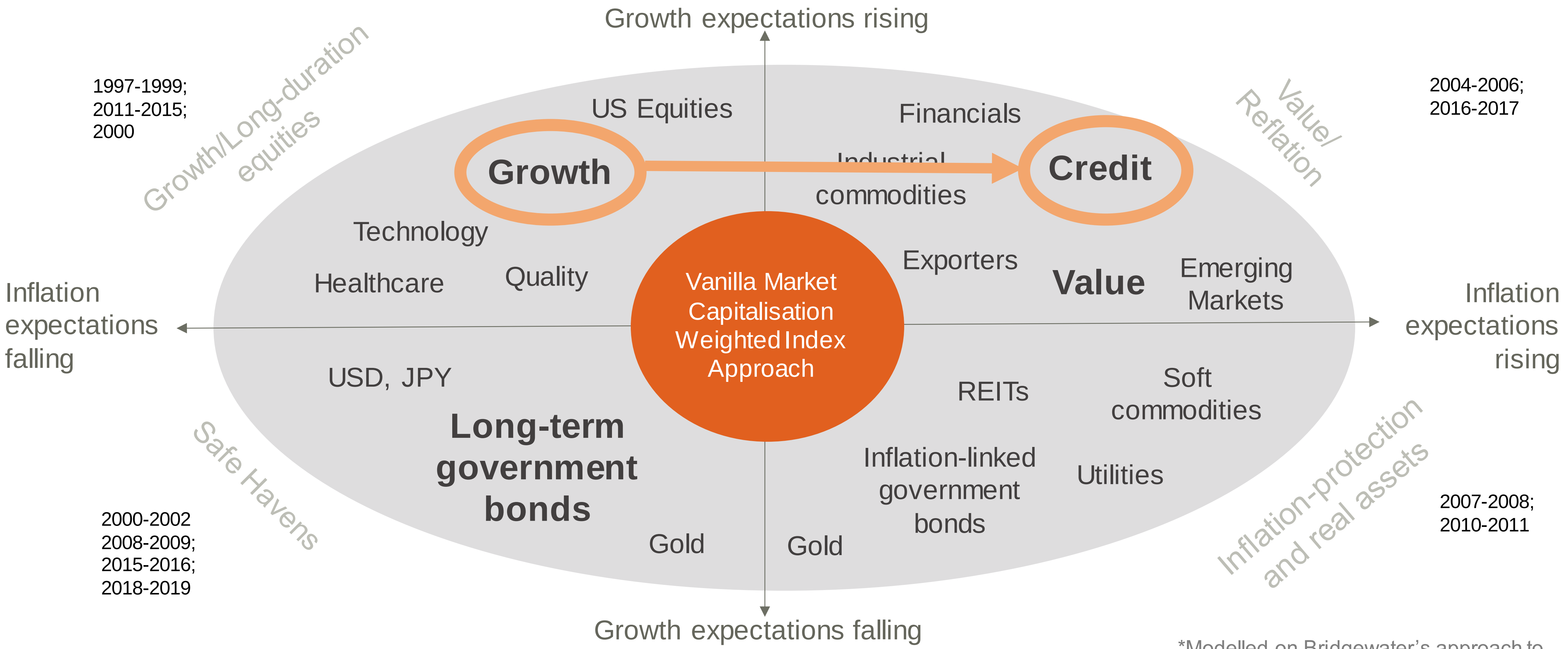
Tailor AAA/AGVT Barbell:

- Seek longer duration: Even higher expected yield and roll return AND more equity diversification potential; OR
- Tactical shortening of duration for similar expected return to AusBond Comp

Source: Bloomberg; BetaShares Capital, as at 26 April 2021. AAA is the BetaShares Australian High Interest Cash ETF and AGVT is the BetaShares Australian Government Bond ETF. Yield column shows weighted average Yield-to-Maturity per annum of each combination of AAA and AGVT. Roll column shows expected annual portfolio gains in addition to the yield-to-maturity, based on the current yield curve. Management cost column shows the weighted management cost of each combination of AAA and AGVT. Not a recommendation to invest or adopt any investment strategy. **Past performance is not indicative of future performance of any index or ETF.**

Blending Fixed Income with Equities: Growth Investors

Overweight Growth equities > Can afford to tilt towards Credit

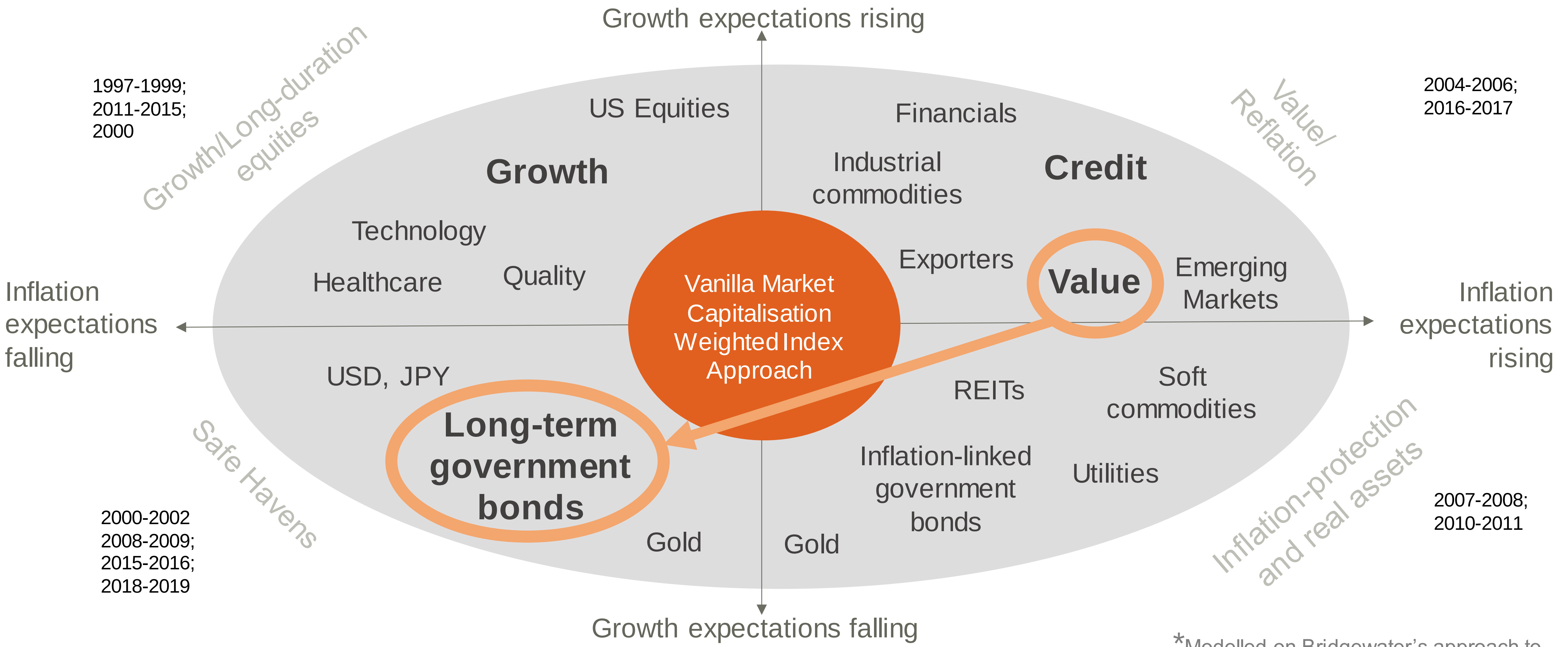


*Modelled on Bridgewater's approach to asset allocation

BetaShares

Blending Fixed Income with Equities: Value Investors

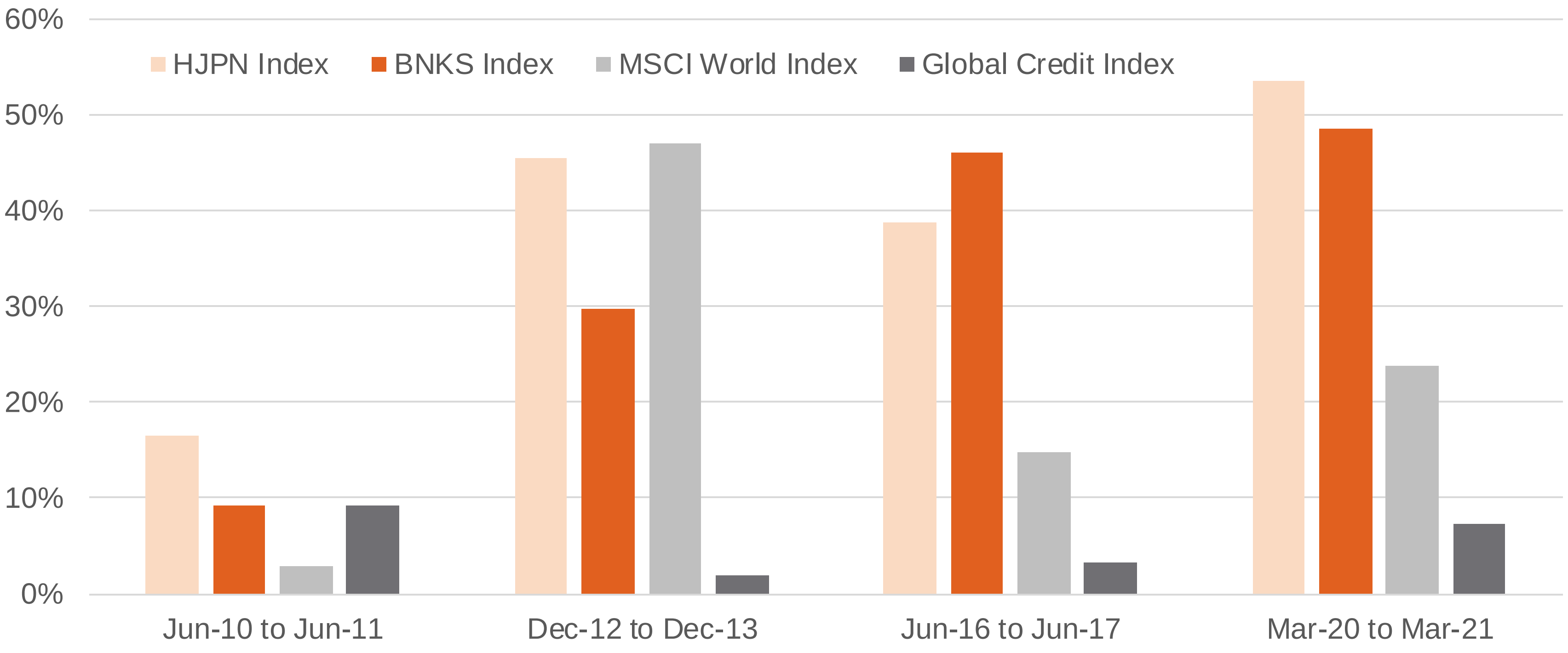
Overweight Value equities > Prioritise high quality long duration fixed income



*Modelled on Bridgewater's approach to asset allocation

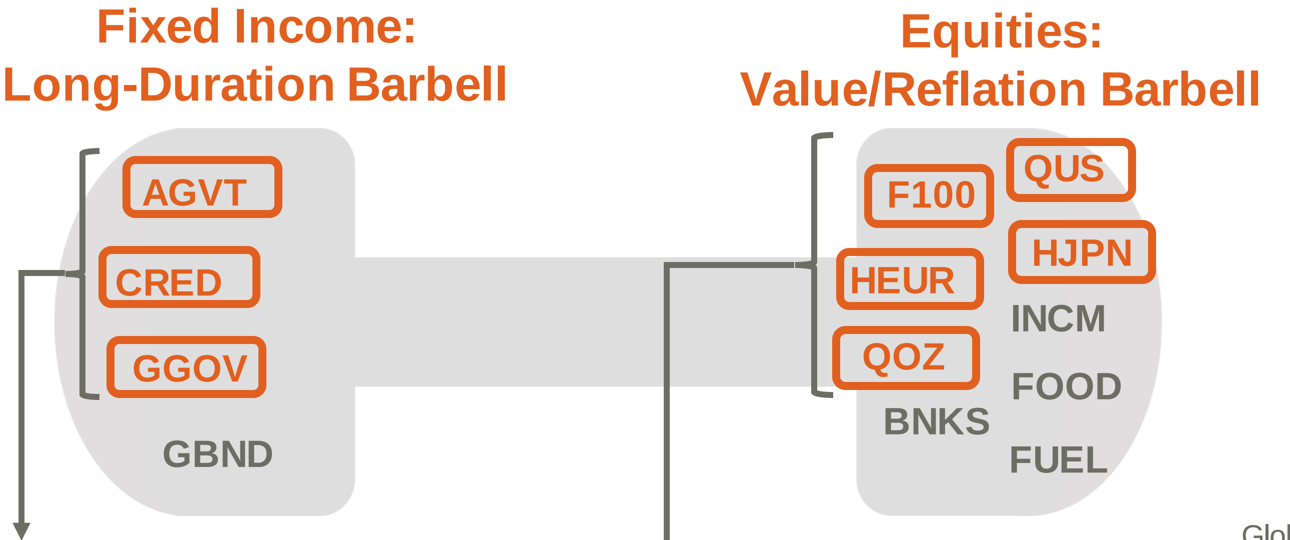
Performance of value equities has more upside than credit in a reflationary environment

Recent Reflationary Periods:
Total Returns of Cyclical Equities versus Credit exposures



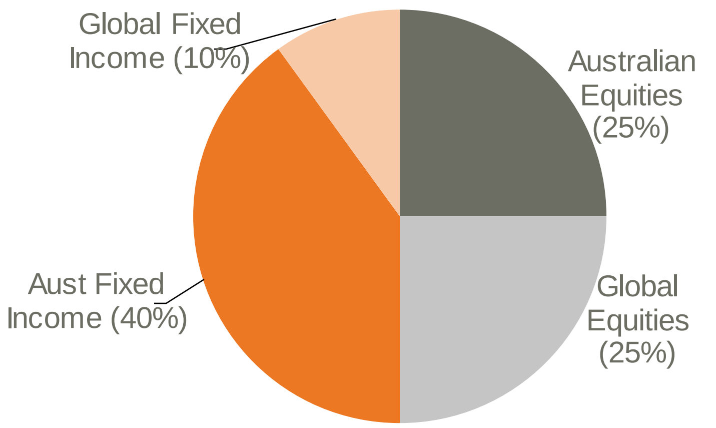
Source: Bloomberg, BetaShares Capital. The chart shows total returns for the Nasdaq Global ex-Australia Banks Hedged AUD NTR Index (HJPN Index), S&P Japan Exporters AUD Hedged NTR Index (HJPN Index), MSCI World NTR AUD Index (MSCI World Index) and the Bloomberg Barclays Global Aggregate Corporate and Government-Related Scaled Index AUD Hedged (Global Credit Index). Recent reflationary periods are defined as periods when both the 10-year German Bund and US Treasury yields increased for a period of 12-months or greater. You cannot invest directly in an index. Index performance does not take into account any ETF fees and costs. **Past performance is not indicative of future performance of any index or ETF.**

Inter-Asset Class Barbell: Value Investor



ASX Code	Fund Name	Portfolio Allocation
QOZ	BetaShares FTSE RAFI Australia 200 ETF	25%
QUS	BetaShares S&P 500 Equal Weight ETF	15%
HEUR	BetaShares Europe ETF - Currency Hedged	5%
HJPN	BetaShares Japan ETF - Currency Hedged	3%
F100	BetaShares FTSE 100 ETF	2%
AGVT	BetaShares Australian Government Bond ETF	25%
CRED	BetaShares Australian Investment Grade Corporate Bond ETF	15%
GGOV	BetaShares Global Government Bond 20+ Year ETF – Currency Hedged	10%

Balanced Portfolio Barbell - Asset Class Allocation (as at 31 March 2021)



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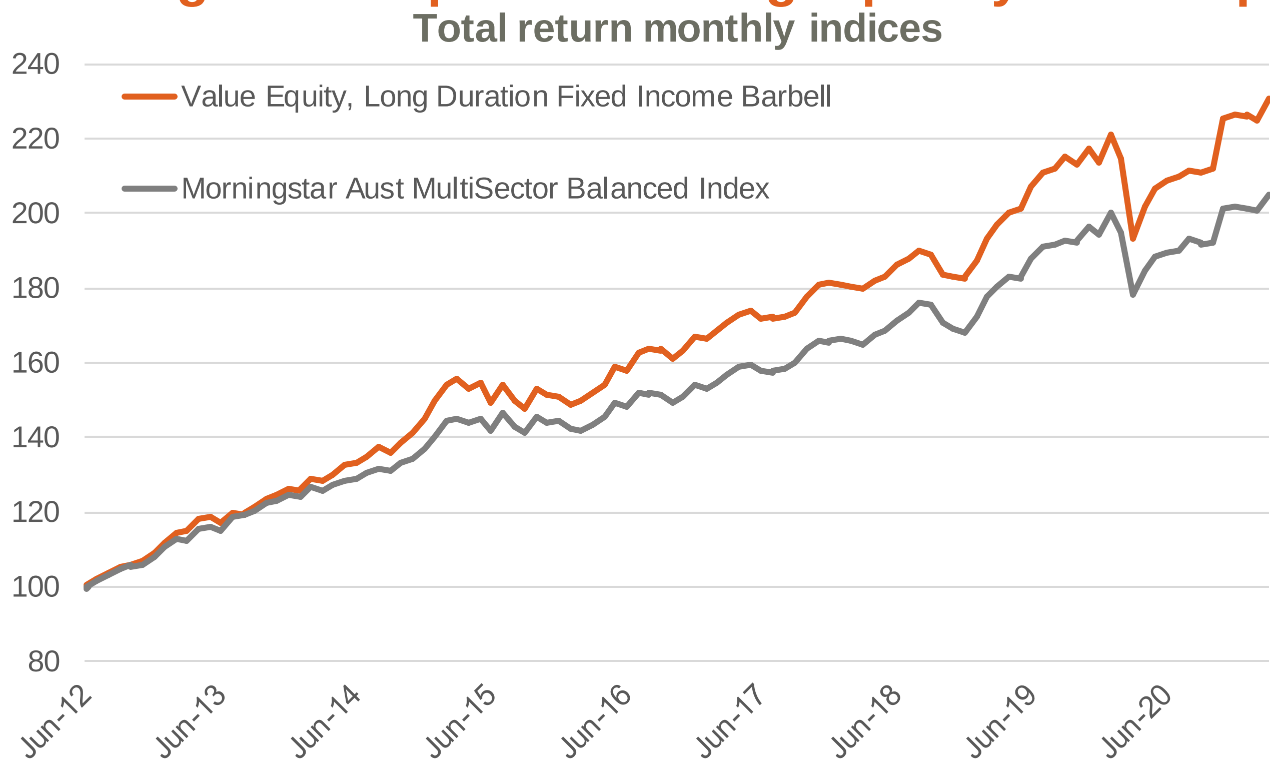
BetaShares

Inter-Asset Class Barbell: Value Investor

Barbelling Value Equities with high quality bond exposure



Significant outperformance despite value exposure:

- Over this return period Value has lagged Growth and Broad market index exposures
- Combining value equities complementary fixed income reduces volatility and improves long term returns

	Inter Asset Class Barbell	Morningstar Aust M-Sec Balanced Index
Total Return (p.a.)	9.96%	8.56%
Volatility	6.70%	5.89%
Sharpe Ratio	1.18	1.11

Source: Morningstar Direct; BetaShares Capital. Total Returns are for the period 29 June 2012 to 31 March 2021, based on common index inception. All series rebased to a starting value of 100. The Inter Asset (Value Equity, Long Duration Fixed Income) Barbell returns are based on the performance of the relevant ETFs (excluding for QUS), using each ETF's index data for the period prior to inception, taking into account each ETFs fees and costs. For QUS, current index returns less fees and costs were used for the entire period, including 18 December 2021 when QUS's investment objective changed to track the S&P 500 Equal Weight Index. Specific allocations to each ETF are shown on the previous slide, and performance assumes monthly rebalancing. The Morningstar Aust MultiSector Balanced Index is a TR AUD proxy market benchmark for balanced multi-sector funds consisting of underlying indices. Not a recommendation to invest or adopt any investment strategy. You cannot invest directly in an index. Index performance does not take into account any ETF fees and costs. **Past performance is not indicative of future performance of any index or ETF.**

You don’t have to predict the next market cycle

Barbells allow you to potentially outperform without knowing the next market cycle:

- Robust in most market cycles
- Often add the most value in unpredictable markets.

What to be mindful of:

- Investors must be prepared to accept short-term draw downs in a single building block, take a long-term, holistic view - focus on the overall portfolio return profile.

What to look for when combining Barbells:

- Predictable reaction to well understood risk factors
- Seek asymmetry (more upside than downside)
- Combine offsetting exposures

New Business Models (Adviser, Wealth Manager, Administrator, Full Service Provider) Which one fits your capabilities and your clients' needs?

Chris Wrightson, Ironbark

Tony Lynch, FinClear

Moderated by Toby Potter, IMAP

Business Model Survey

–

[IMAP - Institute of Managed Account Professionals - Business Model]

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MORNING TEA

AMP
australianethical
BetaShares Exchange Traded Funds
BT
challenger
evergreen
FinClear
FINDEX
Ironbark
Lonsec
MLC
præmium
Zenith Investment Partners
ZURICH®

How we give advice on Managed Accounts

Aaron Chew, Bongiorno Wealth Management

Daniel Stojanovski, Centrepoint Alliance

Joe Stadler, Bell Partners Advisory

Moderated by Chris Mather, BT Financial

Communicating with clients on ESG

Angela Ashton, Evergreen Consultants

Dugald Higgins, Zenith Investment Partners

Leah Willis, Australian Ethical

Moderated by Alan Logan, Marcona Partners

Australian Ethical

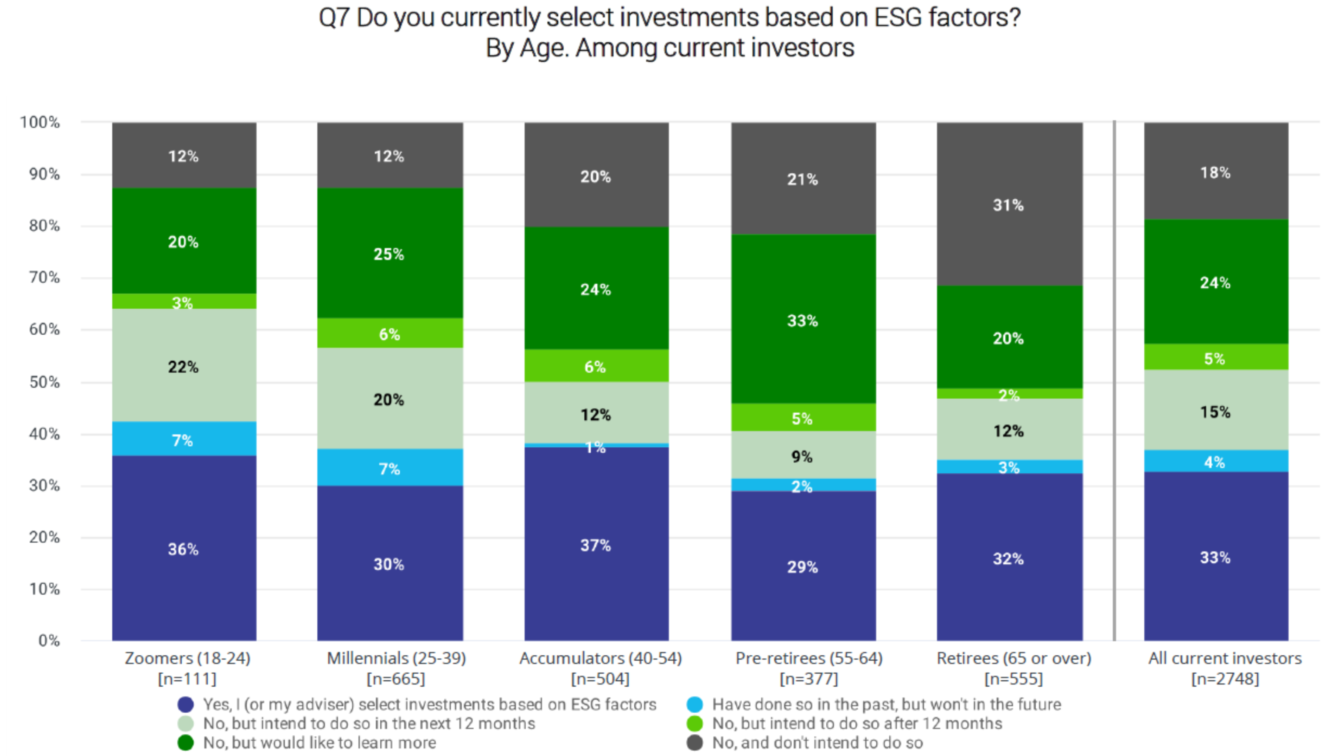
Communicating with clients on ESG

Leah Willis, Head of Client Relationships

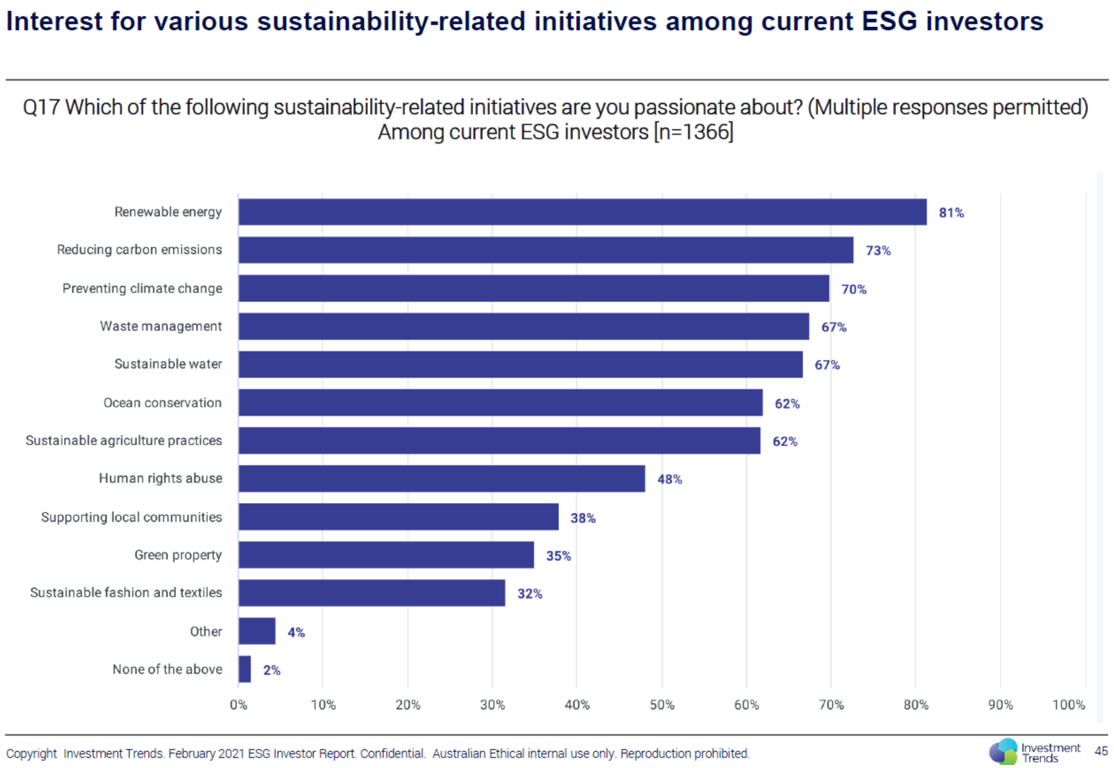
May 2021

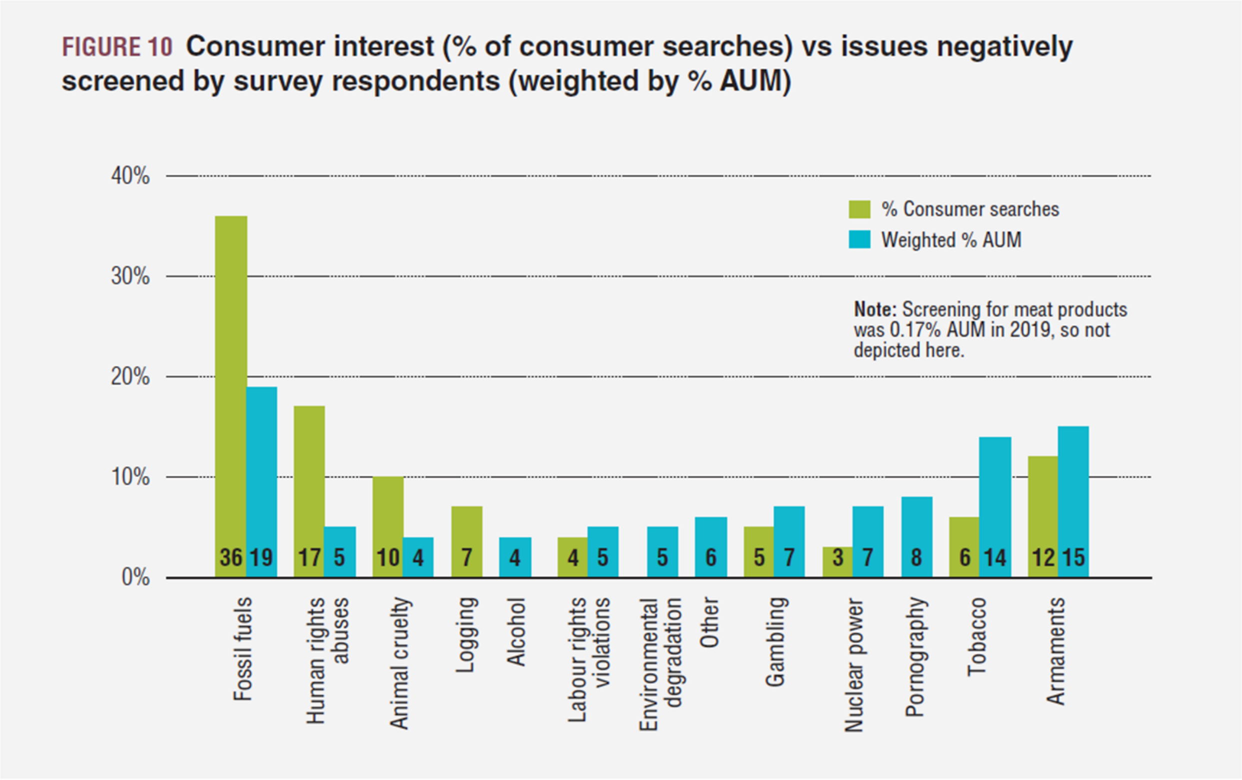
Demand for responsible investing is strong across all age groups

Investment selection based on ESG factors among current investors segmented by age

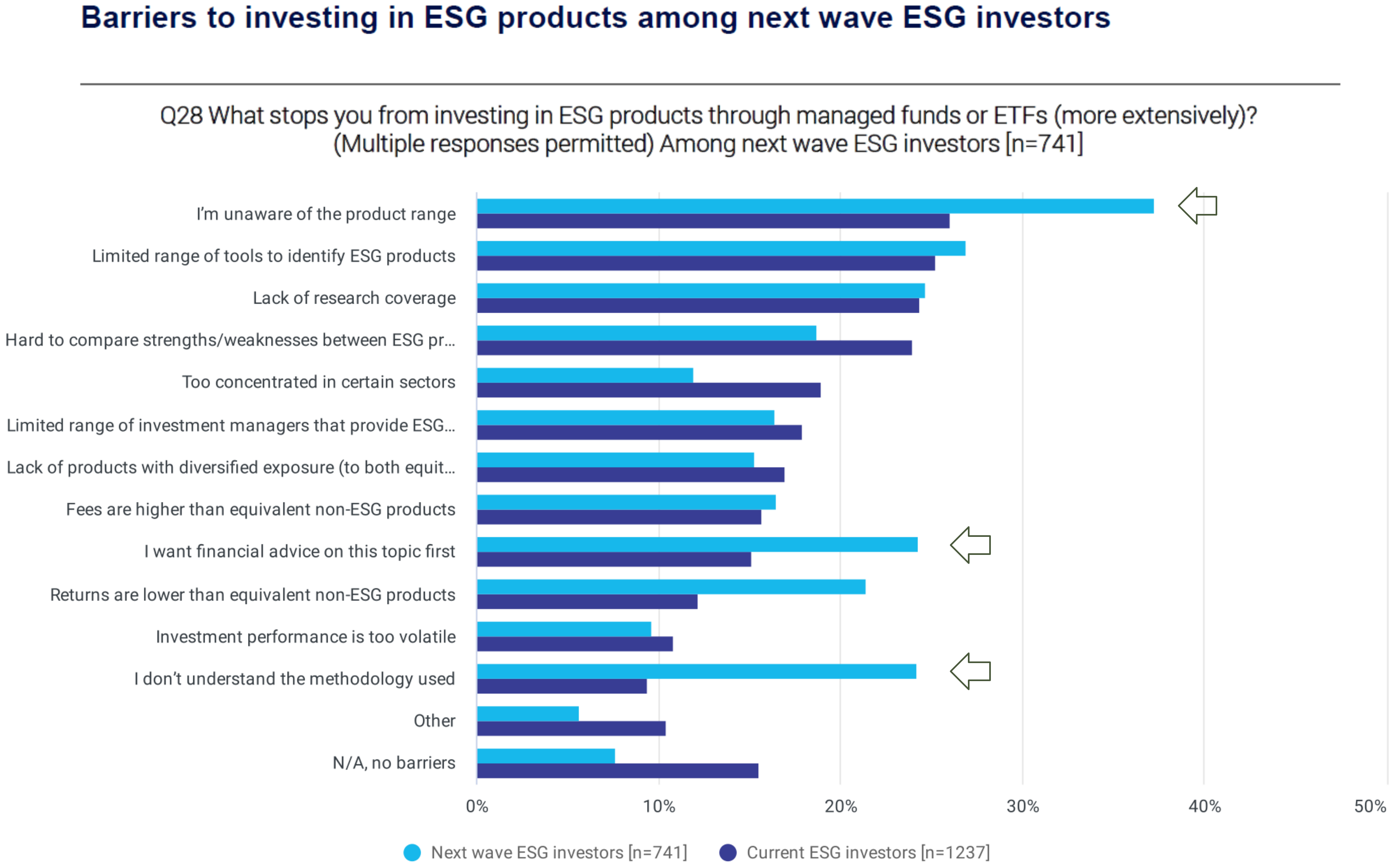


Investors are most concerned about environmental issues





Advisers have an opportunity to help clients navigate ESG options



How to transition to a new Managed Account program

Michael Bova, Family Wealth Advisory

Steven Jessop, Lonsec

Moderated by Toby Potter, IMAP

LUNCH

Managing the journey to self licensing

Mike Pope, LaVista Licensee Solutions

The journey to self licensing

Mike Pope
CEO
LaVista Licensee Solutions

LaVista
LICENSEE SOLUTIONS

Agenda

- Why do you want to be self-licensed?
- The role of RM
- Applying for an AFSL
- The Risk and Compliance Framework
- Q&A on aspects of licensing…

Why the interest in self licensing?

Adviser feedback

LaVista
LICENSEE SOLUTIONS

- Rising dealer fees
- No longer see value in a dealer group
- Don't fit the philosophy
- Royal Commission and FASEA interruptions
- Institutional restructure
- Frustration

What are some of the benefits?

01
Align values with your business and clients

02
Staff and management have a new purpose

03
Develop brand trust and relaunch the business

04
Review your investment and product strategy

05
Access to variety of industry tools, software, support

What are the challenges?

LaVista LICENSEE SOLUTIONS

01 Understanding your RM responsibilities. The buck stops with you.

02 Strike the right balance between the freedom of self-licensing and remaining compliant.

03 Risk and Compliance Framework and regular meetings.

04 Distribution agreements! While all revenue flows to the AFSL, so do all expenses.

05 Solutions to outsource compliance, training and technology.

First steps

01 Have a clear objective on the reasons for an AFSL

02 Strategy to set out the process

03 Engage a professional to apply for an AFSL – 6 months on average

04 Who are the Responsible Managers?

LaVista
LICENSEE SOLUTIONS

What is an RM?

- Ensure compliance obligations are being met. Fit and proper person.
- Demonstrate you have the organisational competence (as required by section 912A of the Act).
- Have appropriate skills and experience in supporting compliance culture.

The **five** options for responsible managers

Option	Knowledge component (e.g. qualifications, training)	Skills component (experience)
Option 1	Meet widely adopted and relevant industry standard or relevant standard set by APRA	Three years relevant experience over the past five years
Option 2	Be individually assessed by an authorised assessor as having relevant knowledge equivalent to a diploma	Five years relevant experience over the past eight years
Option 3	**Hold a university degree in a relevant discipline and complete a relevant short industry course**	**Three years relevant experience over the past five years**
Option 4	**Hold a relevant industry-specific or product-specific qualification equivalent to a diploma (or higher)**	**Three years relevant experience over the past five years**
Option 5	If not relying on Options 1 to 4, you need to provide a written submission that satisfies us that your responsible manager has appropriate knowledge and skills for their role.	

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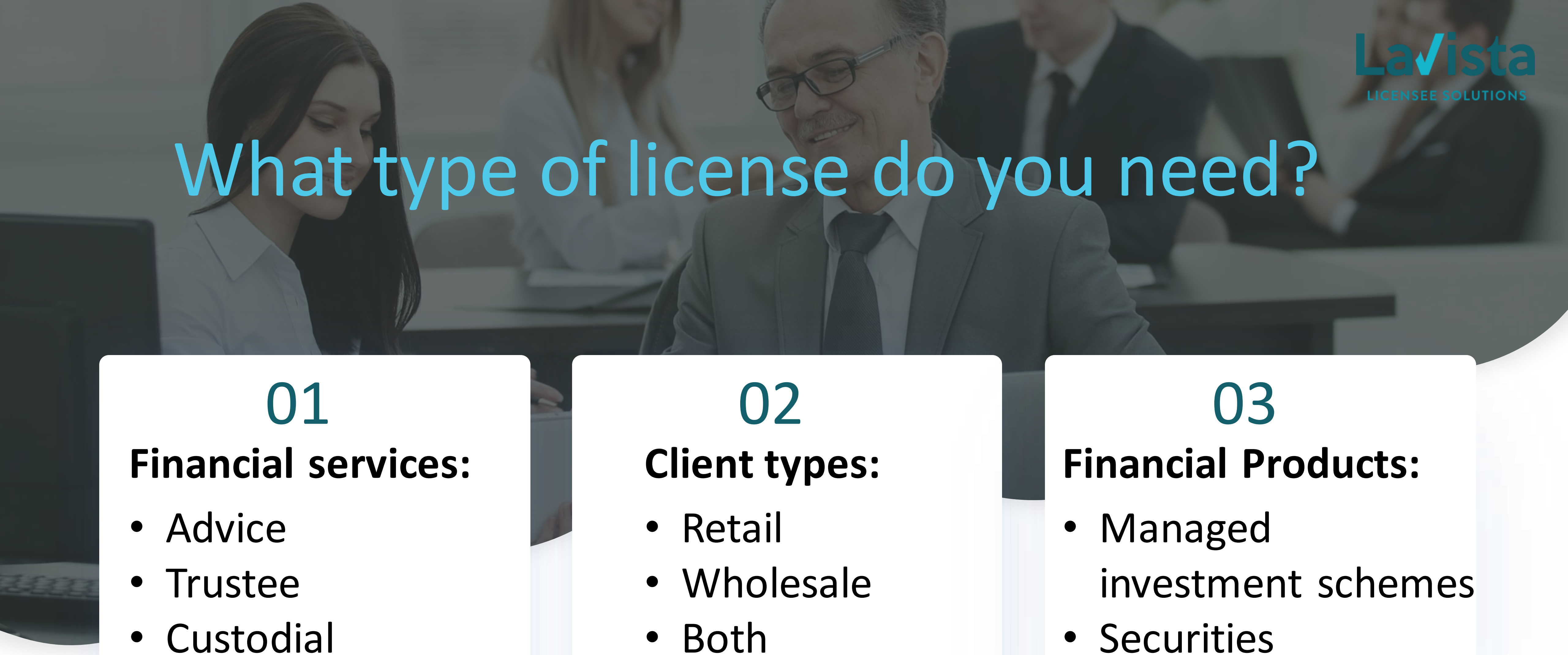

What type of license do you need?

01

Financial services:

- Advice
- Trustee
- Custodial

02

Client types:

- Retail
- Wholesale
- Both

03

Financial Products:

- Managed investment schemes
- Securities
- Carbon Credits

1

Company

2

Responsible Managers

3

Trusts

4

Partnership

Structure and Application

Proofs

People Proofs for each responsible manager:

- Statement of Personal Information
- qualification certificates
- two business references

More Proofs….

Fit and Proper person test….

- copy(ies) of criminal history check(s)
- copy(ies) of bankruptcy check(s)
- Organizational Competence

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And more info…

- Signed Balance Sheet
- Profit and Loss Statement
- Cashflow Projection
- Application fee payment

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AFSL stages of application

01

AFSL Preparation

Prepare Core Proofs and financials

02

Lodgment

Lodge application with ASIC

03

Draft approval

Arrange PI insurer, appoint financial auditor

04

Process set up

Compliance framework, registers, distribution agreements

Scale + Growth

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Scale and complexity of your business

Isn't it complex and confusing to set up an AFSL:

As a general rule, the smaller and simpler the business, the smaller and simpler your measures should be... RG 104.44

What resources do I need?

Adequate financial, technological and human resources to carry out supervisory arrangements….s912A

Appropriate technology, time a patience to set up policies. RG 104.44

Compliance framework

Who develops the policies?
Are you using an AFSL support service?

Are policies being followed?
Are external reviews conducted?

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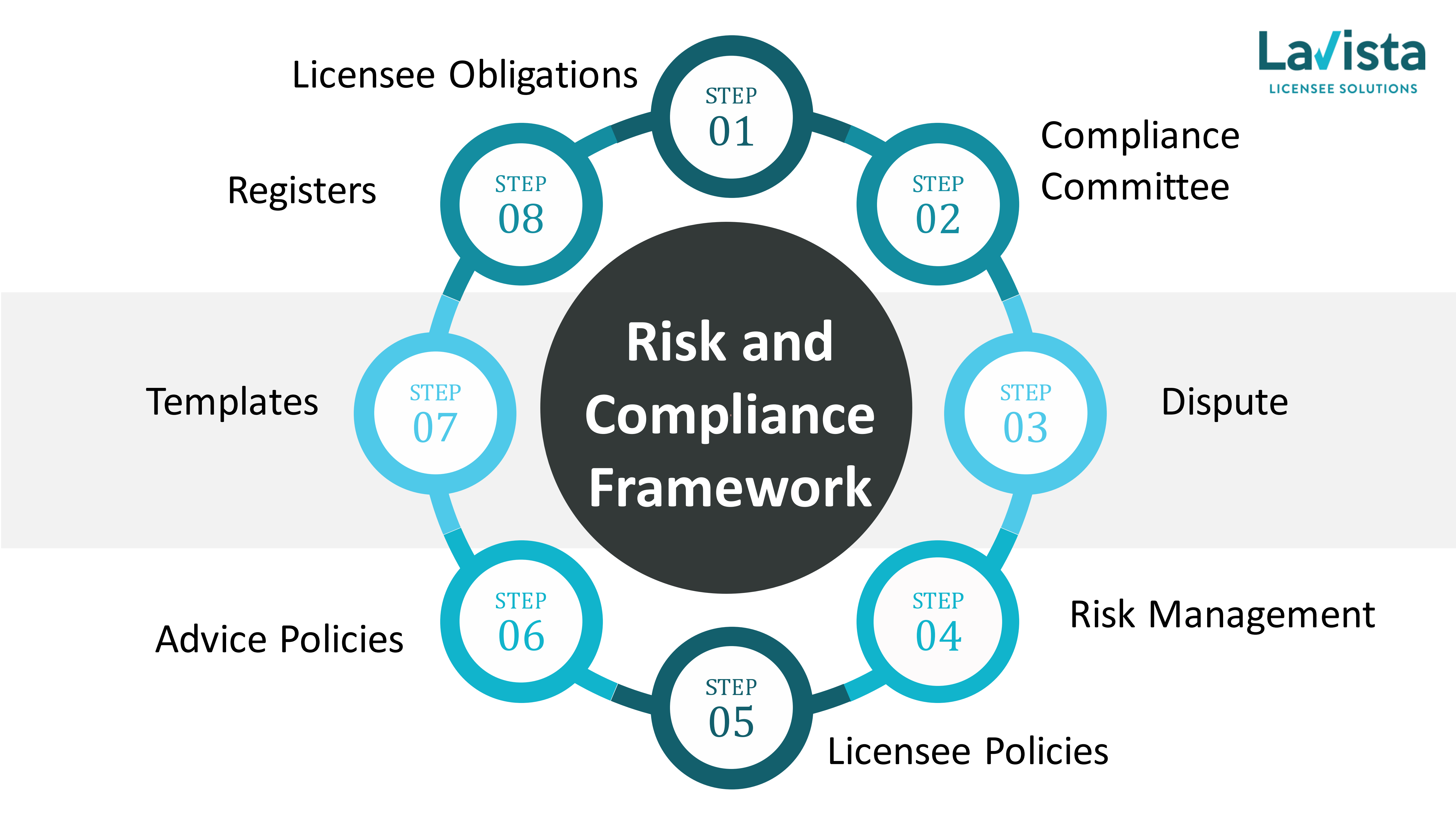

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Risk and Compliance Framework
STEP 01
Licensee Obligations
STEP 02
Compliance Committee
STEP 03
Dispute
STEP 04
Risk Management
STEP 05
Licensee Policies
STEP 06
Advice Policies
STEP 07
Templates
STEP 08
Registers

Compliance Function

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- Monitoring and supervision
- Keep adequate accounting, business and compliance monitoring records
- Compliance meetings How often?
- Access to the information they need to perform their role?
- Is there a clear, well-understood process for reporting compliance breaches
- What background checks (e.g. referee reports) do you do before you appoint representatives?
- Training and CPD
- Separate compliance function
- APL and research function

Continuing Training

- Ensure that your representatives maintain and update their knowledge and skills?
- Have you determined how much ongoing training they need?
- Do you have a regular training program for them? Who is responsible for this?
- How do you ensure your training program continues to meet the needs of your representatives?

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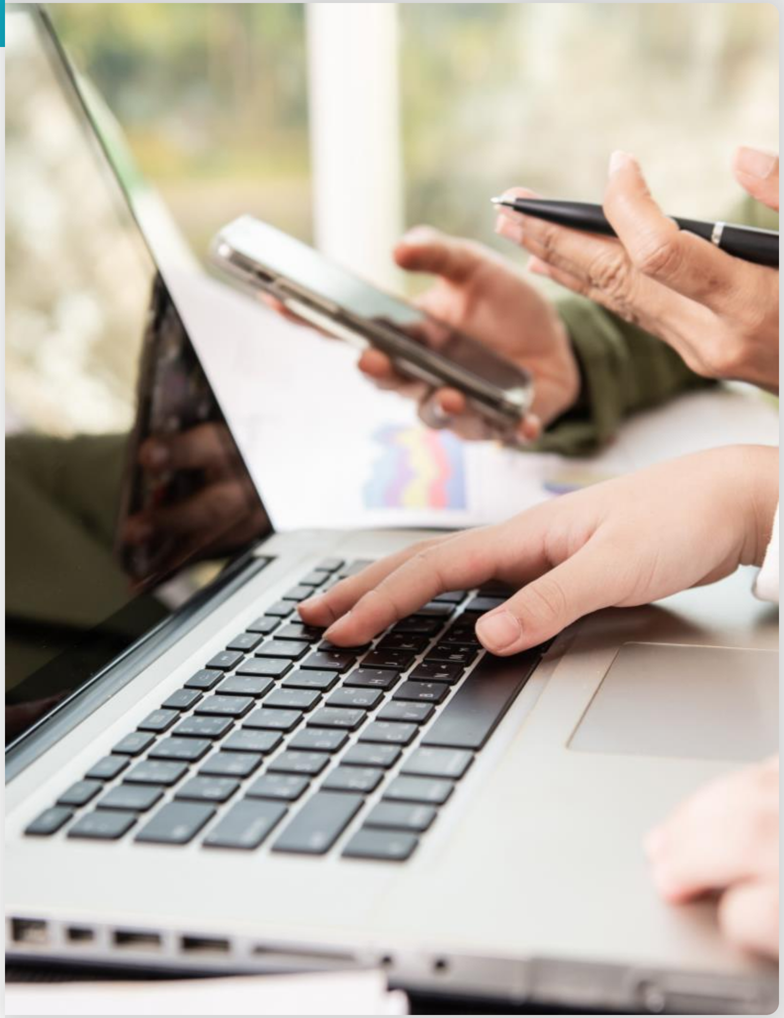
Adequacy of technological resources

What technological, software resources do you need to carry out your business?

Identified key indicators that might show you **do not** have enough technological resources?



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Key Milestones

01 Prepare and submit AFSL application

02 Arrange PI and Financial Auditor

03 Set up Distribution agreements and Data conversion

04 Compliance Framework

Conclusion

- Partner with an experienced AFSL services provider to ensure you receive regular Compliance and Regulatory updates.
- Have access to RM training, software solutions, research, compliance, technical, remuneration support.
- Update your marketing, client newsletters, PD Days, Peer to Peer networks.
- This will free you up to spend more time in front of clients and remain compliant.

Thank you!

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TINA – Are there Alternatives?

Anthony Golowenko, MLC Asset Management

Session topic

TINA – or are there alternatives?

IMAP Adviser Roadshow
May 2021

Presented by
Anthony Golowenko, Portfolio Manager

Important information

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Agenda

ASSET MANAGEMENT

1 Setting the scene for alternatives

2 How ‘alternative’ are your alternatives?

3 Practical considerations in accessing opportunities

Setting the scene on the role of alternatives

How we think about managing money

ASSET MANAGEMENT

Our approach

How we build and manage portfolios

ASSET MANAGEMENT

MLC's investment approach

1. our unique scenarios-based approach **considers many futures**
2. **active asset allocation** is vital to navigate changing markets
3. our expertise and reach delivers **institutional-quality** building blocks and tools to retail investors
4. **sophisticated diversification** builds resilience and increases opportunities

MLC's investment team

Deep and experienced resourcing

Our asset allocation team

Al Clark
Head of Investments
28 years experience

Ben McCaw
Senior Portfolio Manager
16 years experience

Anthony Golowenko
Portfolio Manager
21 years experience

Kerry Gill
Fund Strategist
18 years experience

Grant Mizens
Portfolio Manager
14 years experience

Ekagra Gupta
Senior Investment Consultant
4 years experience

Supported by

CIO & Sector Portfolio Managers
Jonathan Armitage, CIO (27 years) Nicholas Hofmeyr (13 years) Peter Sumner (31 years) Myooran Mahalingam (19 years)
Derivatives
Clifford Bayne (30 years) Clinton Guelfi (23 years) Jonathon Bergliavaz (8 years) Vedran Skopljak (7 years)
Alternatives
Gareth Abley (21 years) Jehan Sukhla (18 years) Derick Thai (1 year) Cassandra Hair (16 years)
Investment Portfolio Analytics
Simon Elimelakh (28 years) Dinesh Rethnasamy (8 years) Kenneth Tse (9 years)

The need for alternative approaches

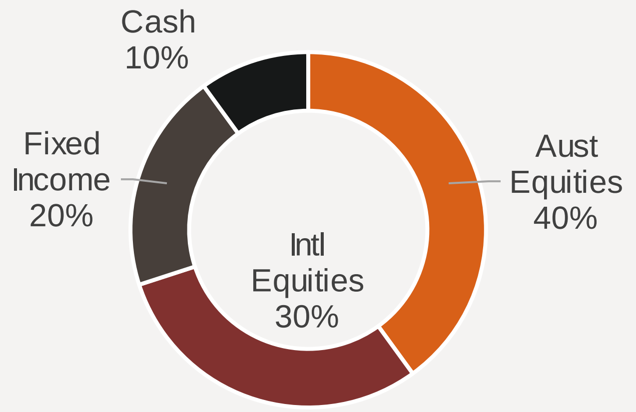
To consistently achieve client objectives

- Asset allocation is a key portfolio driver
  - Determines 85-90 per cent of variation in portfolio returns
  - Yet many traditional portfolios don't actively utilise this lever

- Investment via established blocks
  - 'Growth' and 'defensive' labels are now arguably less useful
  - Each investment has a role and purpose
  - Contextualisation within asset classes

- We believe there are alternatives approaches
  - These assist in consistently delivering risk and return objectives

A traditional portfolio: past, present and future



Period	Annualised return
10-yrs to 2015	6.4%
10-yrs to 2020	6.8%
7yr Forecast	2.6%

Traditional portfolio is illustrative of a 70/30 'Balanced Portfolio' assuming no active management in security selection, fees and taxes. Data source: S&P/ASX 200 TR, MSCI World TR (AUD hedged), Bloomberg Barclays Global Aggregate and RBA Bank Bill indices. 7-year forecast from JANA Investment Advisors, as at Dec 2020.

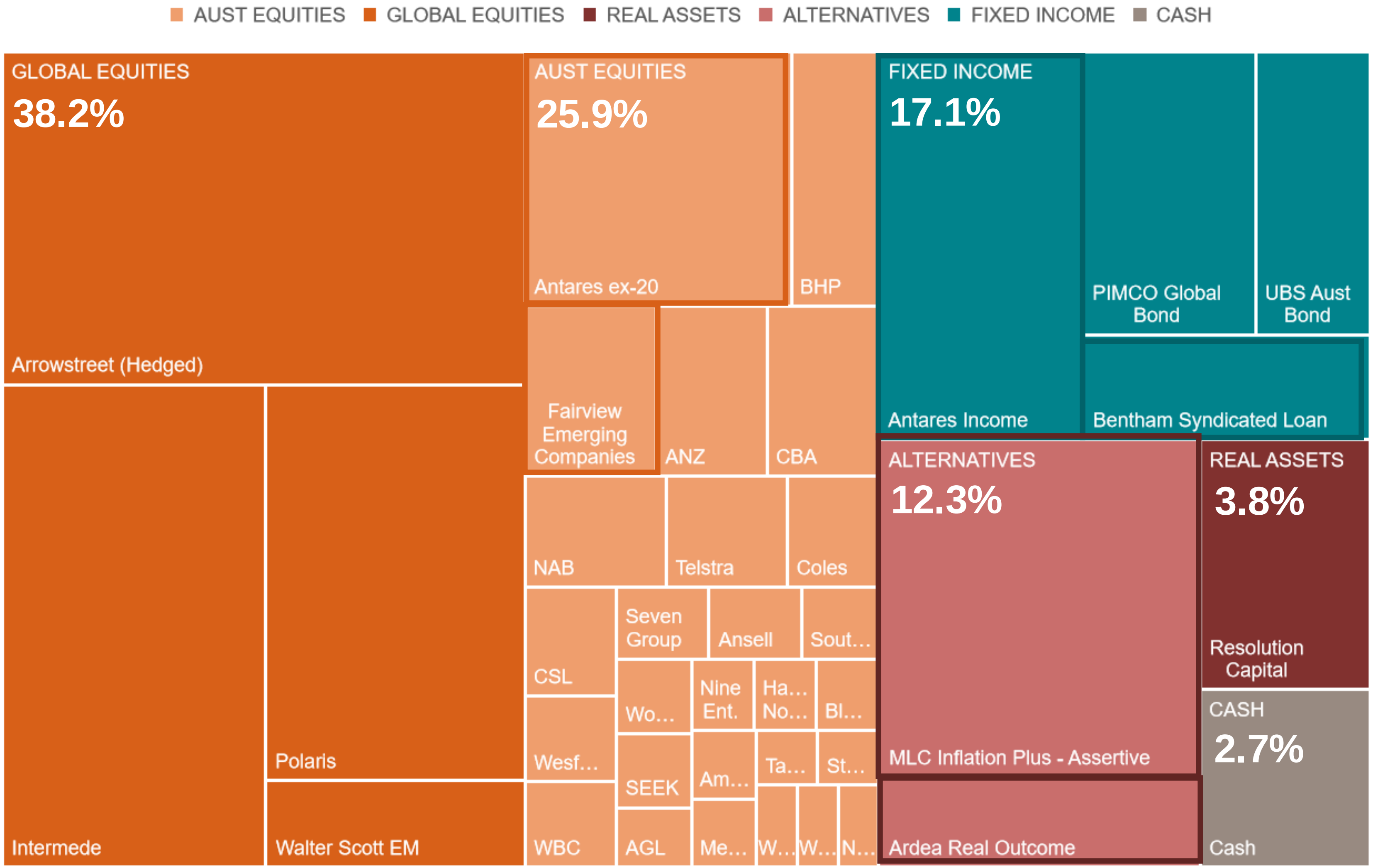
ASSET MANAGEMENT

How ‘alternative’ are your alternatives?

And where you might use them

MLC Premium Assertive

Fully active and extensively diversified SMA model portfolio



Source: MLC and Factset as at 31 March 2021. Refer to MLC Managed Account Strategies monthly reports for latest positioning and holdings .

MLC Inflation Plus portfolios

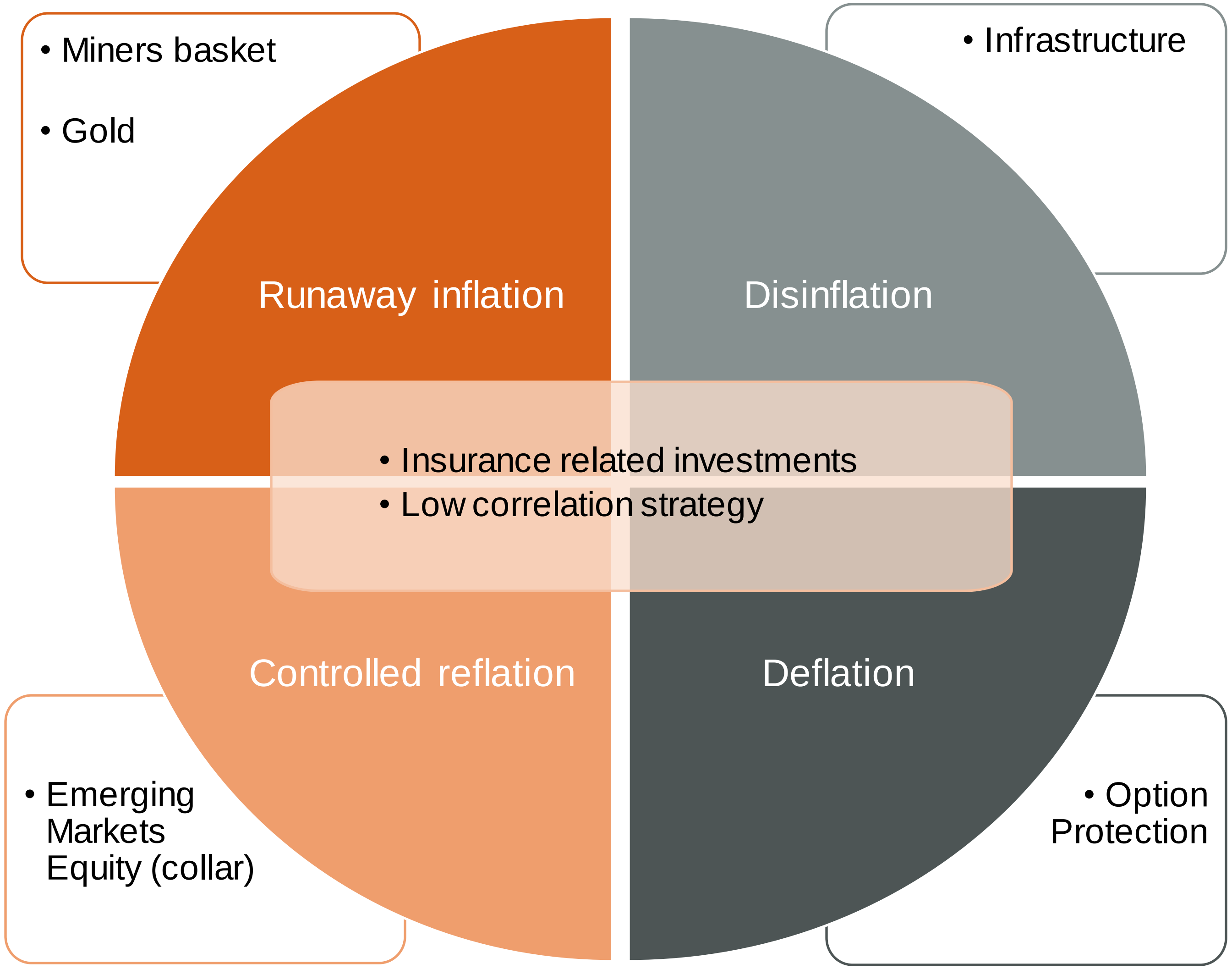
Alternative access to a world of investment opportunities

- Alternatives play an increasingly important role as valuations in traditional asset classes have risen
  - Uncorrelated returns: Specific theme, exposure or capital market opportunities
  - Ability to tailor, limit or control downside risk(s)

- An integrated ‘portfolio within a portfolio’
  - MLC Wholesale Inflation Plus offers ‘bells and whistles’ not normally available on platform menus
  - Consistently deliver strong risk-adjusted total returns
  - Institutional grade offerings in your client portfolios

Inflation friend or foe

A nuanced (scenarios) approach to navigate an uncertain future



Accessing alternatives

Practical considerations and evaluation framework

ASSET MANAGEMENT

We believe there are alternatives

And a whole world of investment opportunities

We construct purposeful portfolios

Where all components have a clear role to play

To consistently achieve investment objectives

We seek to deliver resilient investment outcomes

Questions?

Why larger advice practices prefer MDA programs

Kieran Canavan, Findex

Michael Mavromatis, Holley Nethercote

Moderated by Toby Potter, IMAP

HOLLEY NETHERCOTE

IMAP Adviser Roadshow 2021: *Professionalism under Adversity*

Michael Mavromatis – *Special Counsel*

Brisbane – 11 May 2021
Melbourne – 14 May 2021
Sydney – 18 May 2021

Top 3 tips when advising on MDAs

1. Know your product & client

- MDA is its own financial product
- Not every MDA is the same
- Best interest duty

2. Manage conflicts

- Know your role
- Understand associations
- Conflicts prioritisation

3. Monitor advertising & disclosure

- Promote yourself correctly
- Use of past performance data
- Fee disclosure

QUESTIONS

For more ongoing compliance support (incl training and documents) just Google HN Hub

Why larger advice practices prefer MDA (or Managed Account) Programs

May 2021

Important notice and disclaimer

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FINDEX

OUR FOOTPRINT

$17 billion+
in funds under advice

$11 billion+
SMSF assets under administration

Over 200
acquisitions

250,000
clients across Australia & New Zealand

$62m EBITDA
and $400m income
Australia's fifth largest accounting firm by revenue

100+
Offices across Australia & New Zealand, with a dynamic & COVID-resilient distributed workforce

MDA +$9B
Australia's largest provider of MDA Model Portfolios with >25 year history

2,500+
Staff across Australia and New Zealand

750+
Staff shareholders including all of our Partner/Principal group

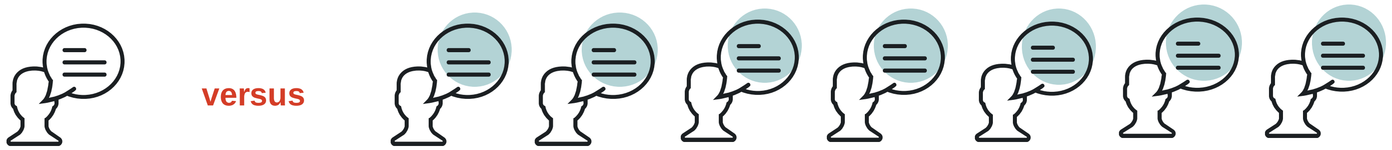
60%
of the business owned by management & staff, balance Private Equity

75,000
SME clients

FINDEX

Information as at December 2020

PROBLEMS WE WERE TRYING TO SOLVE



✓ How do you scale and maintain standards? In a constantly evolving environment…

- ✓ Develop a client value proposition
- ✓ Develop an employee value proposition
- ✓ That allows for long term sustainable growth in a dynamic environment

LONG TERM SUSTAINABLE GROWTH IN A DYNAMIC ENVIRONMENT…

Highly scalable

Centralised professional investment team enables growth in FUA at marginal cost

Efficient

Advice and investment management. Reporting and rebalancing, creating significant efficiencies for advisers and speed of execution for clients driving margin improvements

Potential Investment outperformance

Diligent research and committee review; ability to respond quickly to market changes; and discount for dealing in bulk and managing various administration roles for fund managers

Compliance

Evolving and dynamic regulatory environment. Increasing costs and complexity

INDUSTRIALISED SOLUTION

Managed Discretionary Account / Managed Account

Advantages of MDA structure

- MDA compliance process is efficient and can be managed by a competent compliance team
- Scale benefits with optionality for customising
- Flexibility for Findex advisers to manage investment process and changes via the MDA
- Covers Investor Directed Portfolio Services, Public Offer Superannuation and Pensions
- Clients who do not wish to enter into the MDA structure are able to remain under the traditional SoA model, and are charged accordingly

Advantages of MDA for portfolio implementation

MDA	SoA/RoA
✓ Automatic – changes within the model portfolio are made automatically if consistent with original advice	✗ Manual – separate SoA/RoA required for any change in recommendation
✓ Lower cost than SoA / RoA	✗ High-cost, therefore more expensive for client
✓ Quick and agile	✗ Slow response and inflexible
✓ Dynamic asset allocation provides more flexibility	✗ Annual asset re-balancing results in potentially lower total returns to clients
✓ Not transactions-based	✗ Heavier transactional focus
✓ Automatic approval of transaction	✗ No automatic approval of transaction
✓ Automatic monitoring and rebalancing	✗ No automatic monitoring and rebalancing
✓ Automatic regular reporting	✗ No automatic regular reporting
✓ Immediate trade execution	✗ No immediate trade execution

FINDEX

TAKING MDAS INTO YOUR VALUE PROPOSITIONS

‘experts at every step’ of the value chain

FINDEX FINANCIAL PLANNER

Strategic Advice → Model Portfolio Selection → Sector Portfolio Selection

- **Strategic – Organising clients’ financial affairs to achieve their financial goals**
  - Lifestyle
  - Succession
  - Legacy & philanthropy etc.
- **Selection of best portfolios to suit client/ entity’s needs/ goals/risk limits**
  - Providing a client with the best
  - Chance of success

FINDEX PRODUCTS TEAM

Investment Management → Investment administration and reporting → Implementation MDA

- **Professional investment management**
- **Administration & reporting:**
  - Client
  - Adviser
  - Accountant or other service providers
- **Execution and implementation for MDA**
  - Lower cost execution
  - Scale
  - Market access

FINDEX GOVERNANCE

Committees + NEDs → Independent Client Advocate → FINDEX CLIENT

- **Client value proposition – Engagement**
  - Safety & risk management
  - Progress tracking of goals “LifeView”
  - Achievement goals

REFLECTIONS

Understanding that Value is part financial, part emotional, part risk management is compelling

It positions advice as being more than simply investment returns, and sets the stage for managing client expectations around the advisers' ongoing role

Repricing

Selection of MDA/MA and appropriate platform/s allows margin expansion and cost control

Scale

Findex has ~140 advisers managing over $9B in MDA with 12,000 clients

IFA Performance

Significant opportunity to improve EBITDA metrics through improved efficiencies, lower cost and stable margins

Compliance

MDA requires specialist compliance or outsourced providers. MA simpler and scalable for smaller practices

FINDEX

THANK YOU!

THANK YOU TO OUR SPONSORS