IMAP conference – portfolio construction for institutions vs private wealth

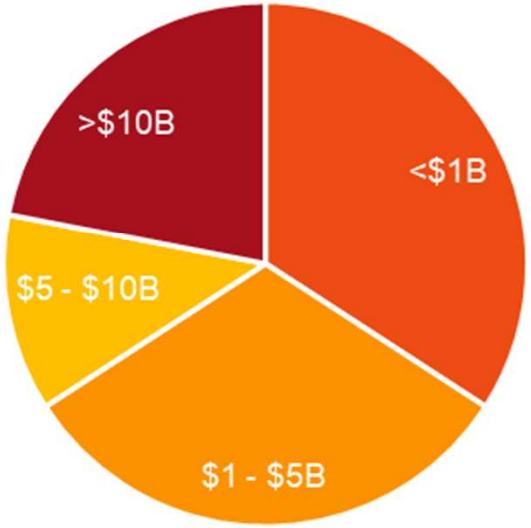
October 2022

frontier

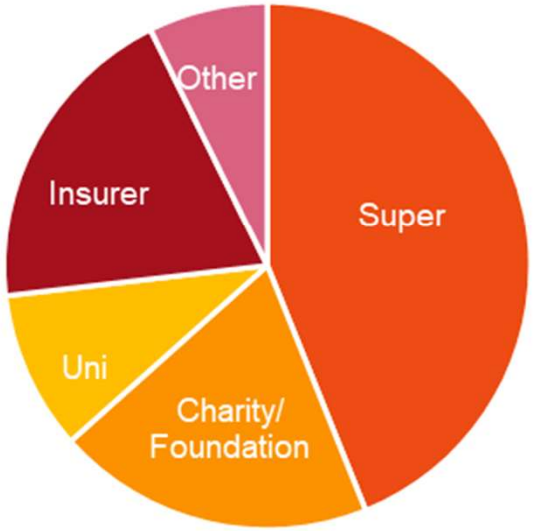
An introduction to Frontier

Founded	1994
Staff	90+ staff – 60+ consulting
Funds under advice	$600 billion

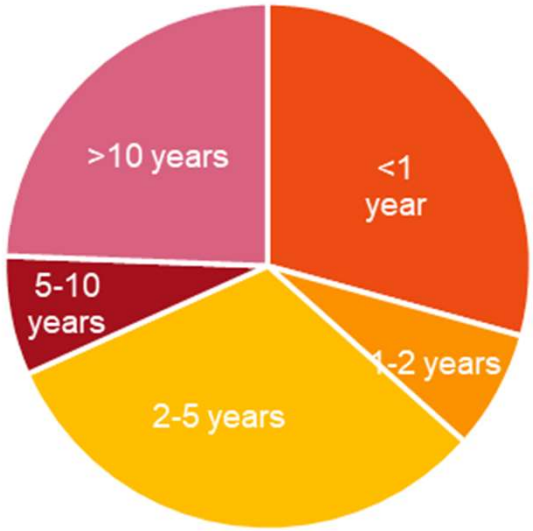
Clients by portfolio size



Clients by type



Clients by tenure



Portfolio construction for institutions vs private wealth

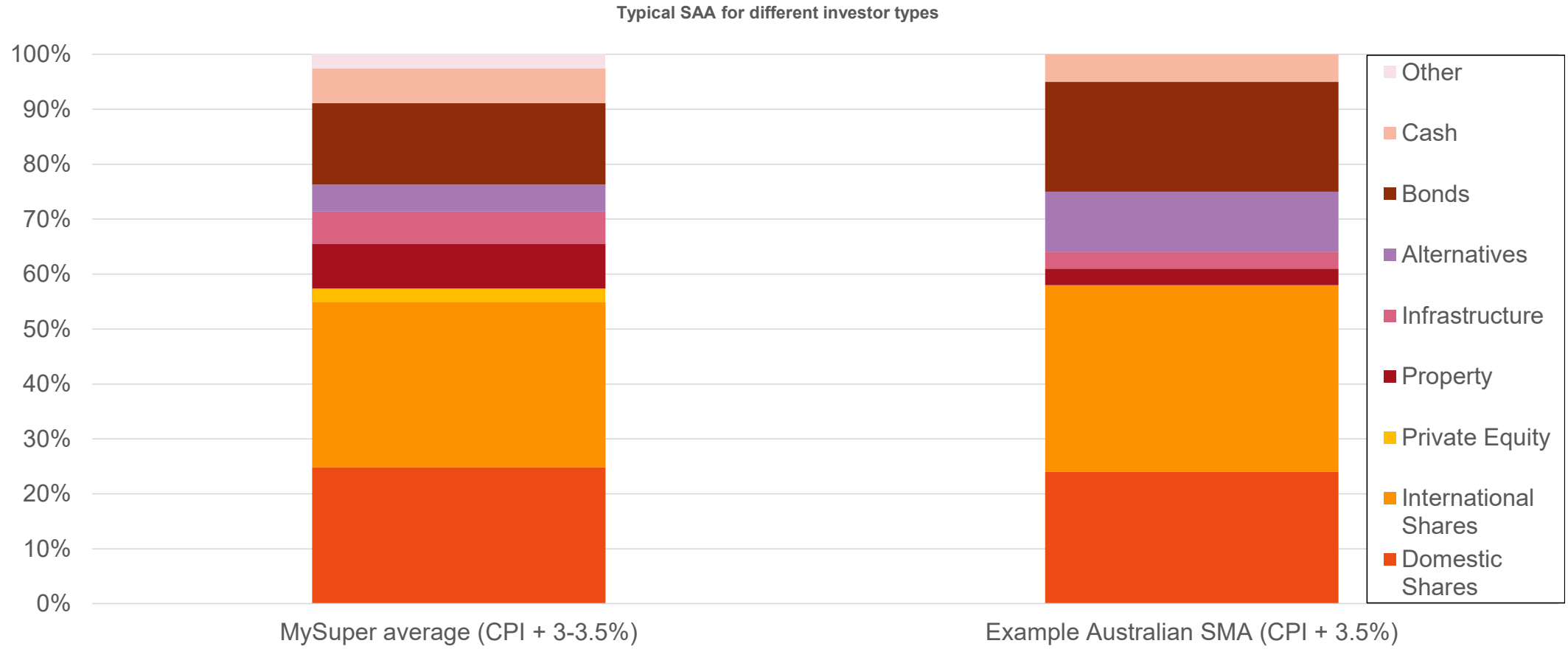
Institutional

- Similarities
- Differences
- Value-add

Private wealth

Same same, but different

SAA comparison



Source: Frontier, SuperRatings as at 30 June 2022; ANZ Private – Dynamic Moderately Aggressive Portfolio as at 1 March 2022

Same same, but different

Relative importance of constraints for super funds vs private wealth

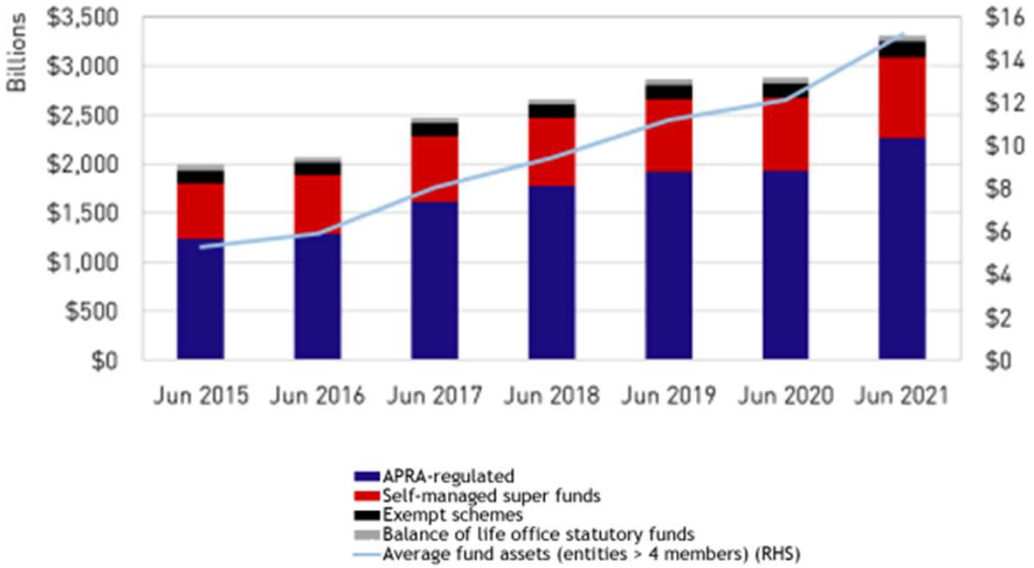
	Super funds	Individual investor / private wealth
Regulation		
Fees		
Liquidity		
ESG		
Peer awareness		
Size		

High
Medium
Low

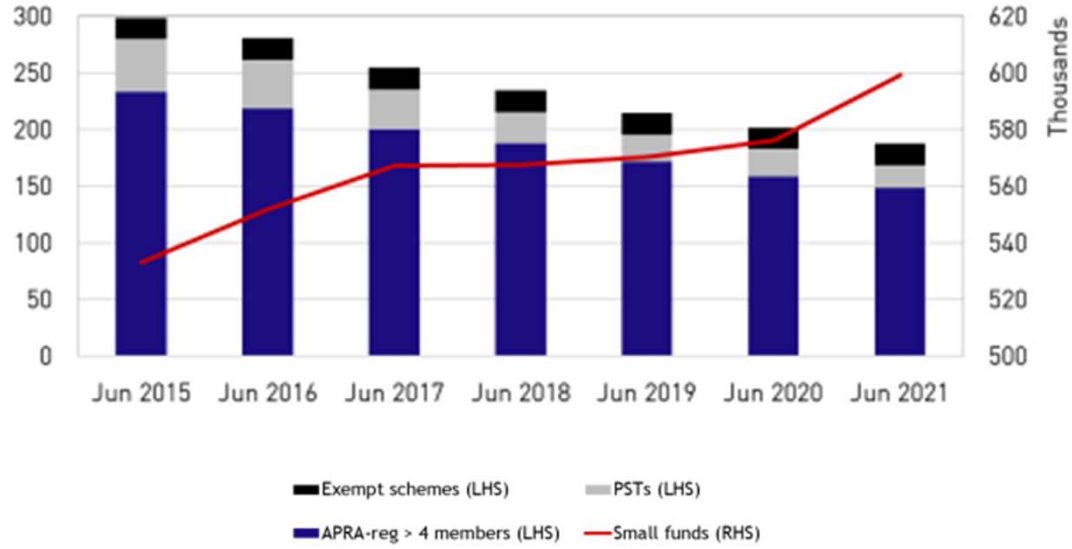
Regulation

Increased size of super leading to more regulation

Assets of superannuation entities



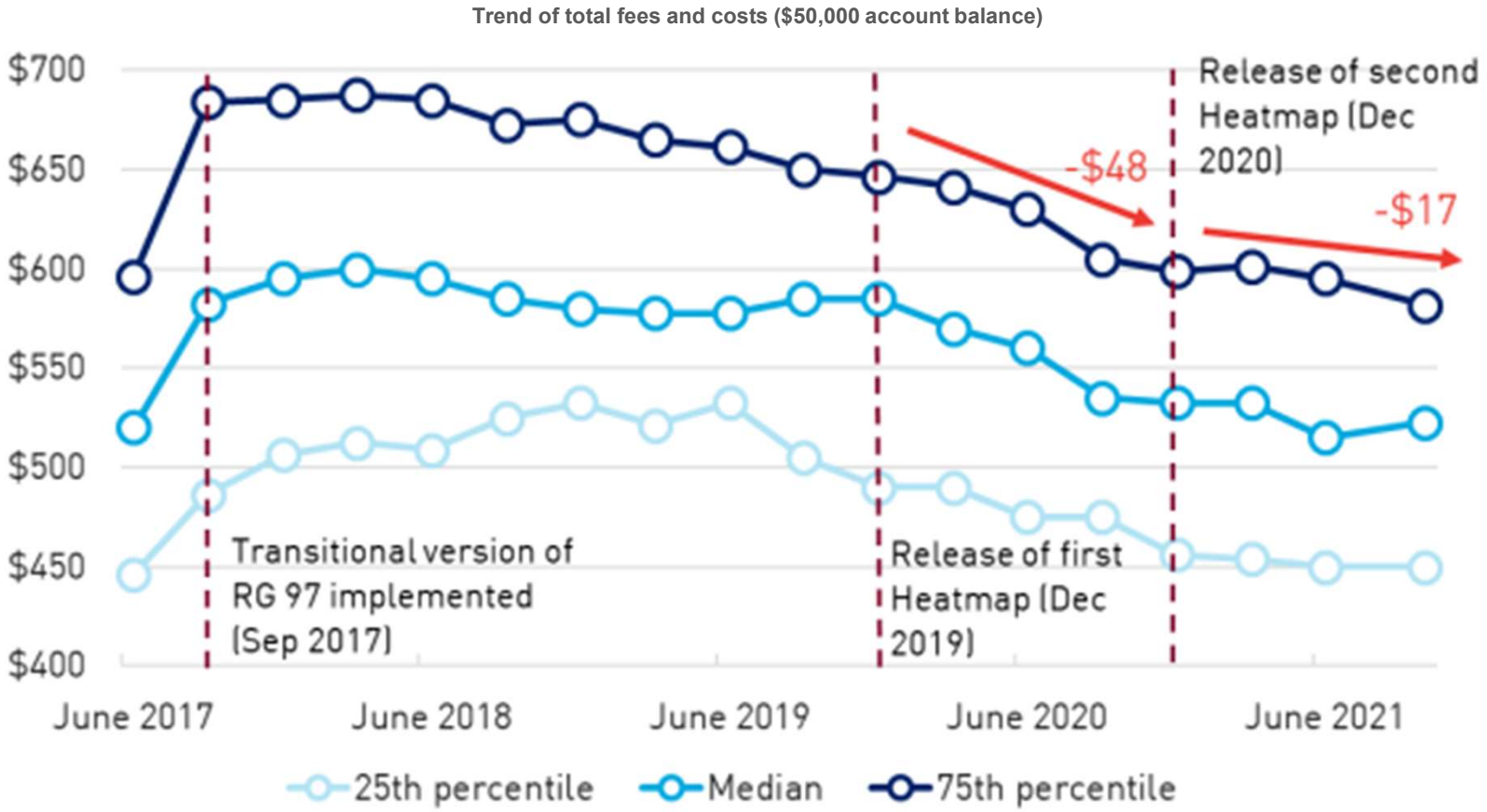
Number of superannuation entities



Source: APRA as at 30 June 2021

Fees

Institutional superannuation funds are under intense fee pressure

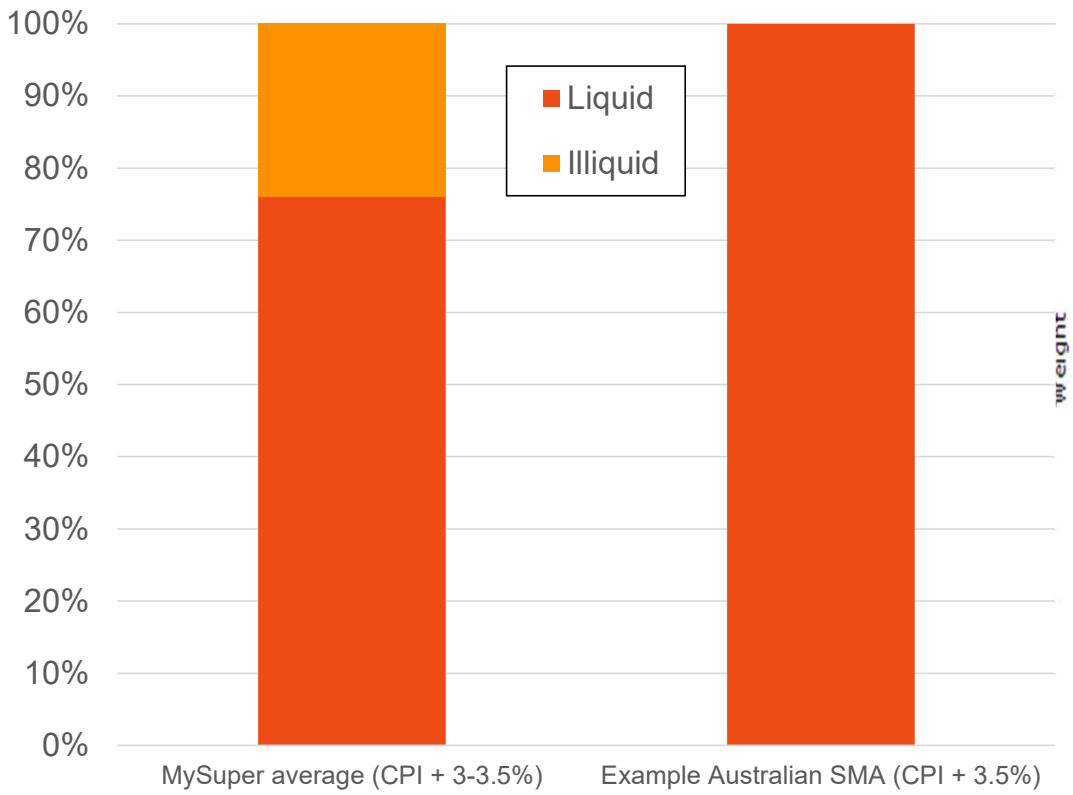


Source: APRA as at 30 June 2021. Total fees and costs consist of administration fees, investment fees and indirect costs.

Liquidity

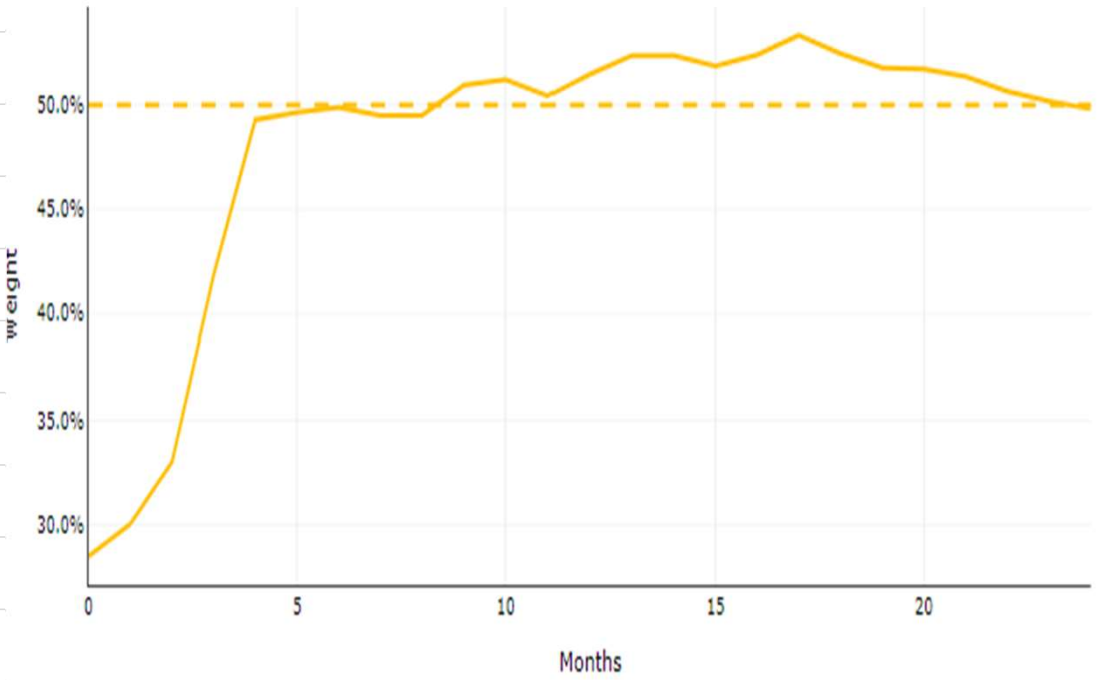
Institutional investors tend to have meaningful allocations to illiquid assets

Illiquid allocations in super fund vs private wealth



Source: Frontier, SuperRatings, ANZ Private

MySuper average illiquid exposure – GFC scenario, 45% redemptions, zero contributions

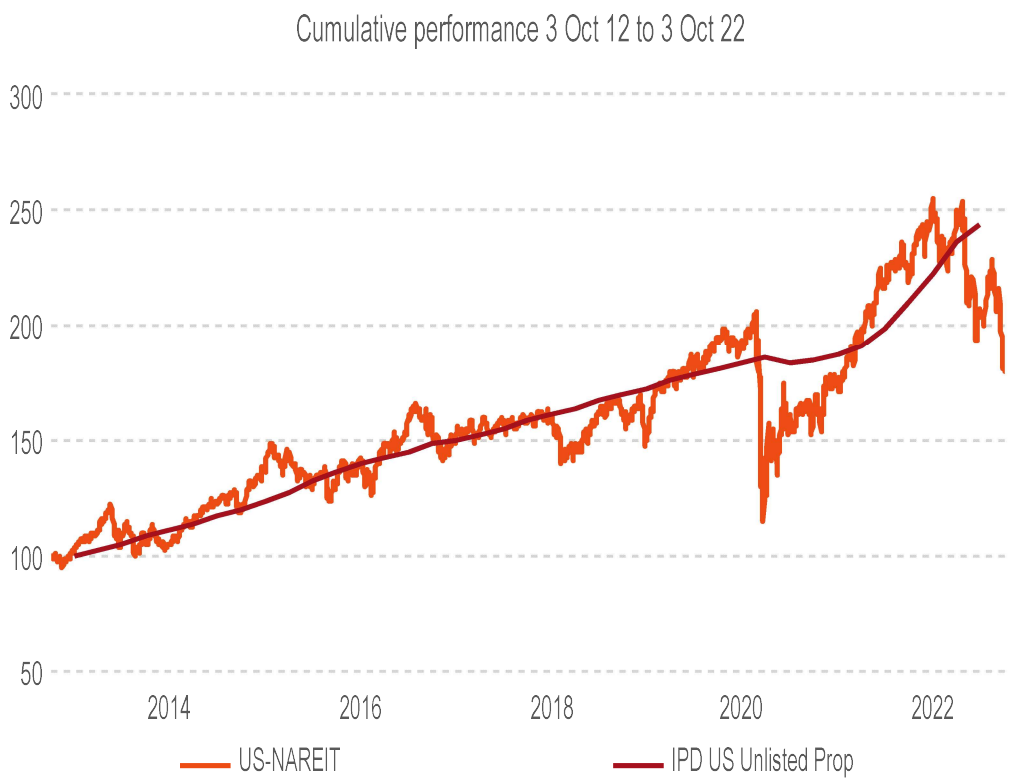


Source: Frontier's Portfolio Analytics

Valuations

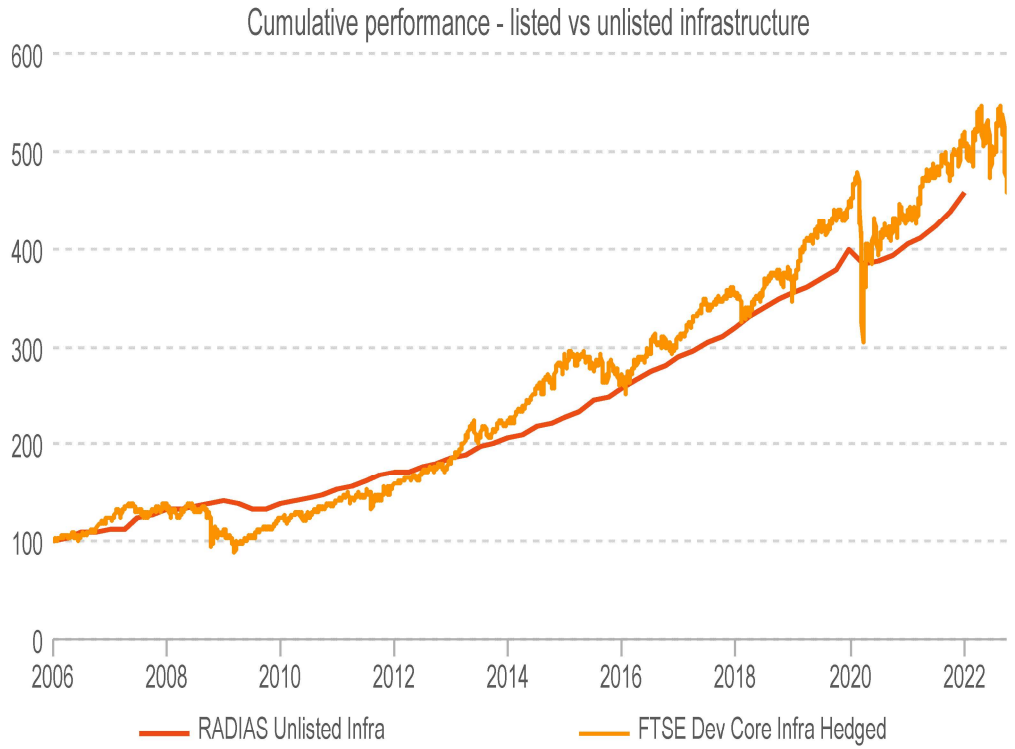
Illiquid valuations tend to lag listed valuations

Listed vs unlisted property



Source: Refinitiv Datastream, Mercer

Listed vs unlisted infrastructure



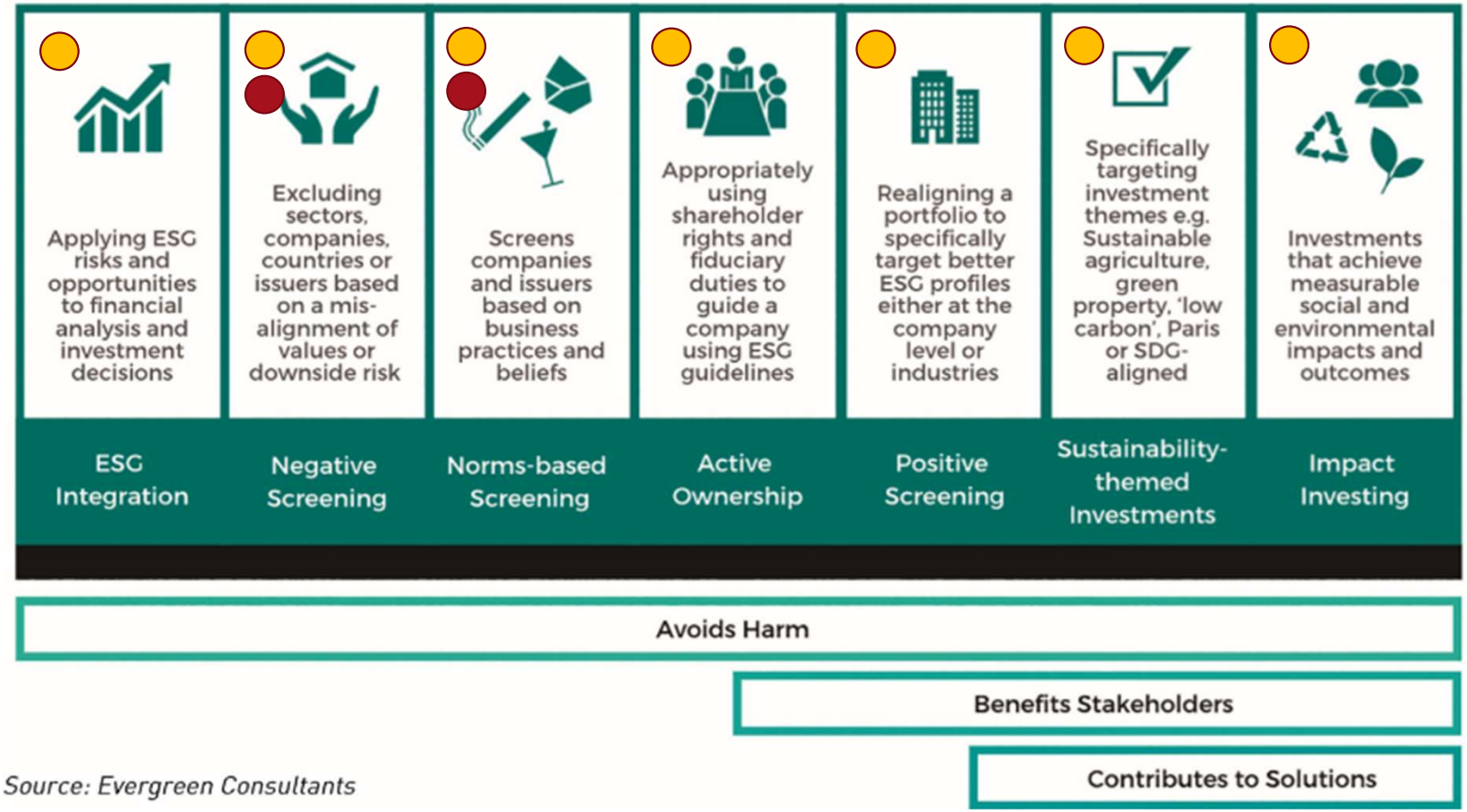
Source: Refinitiv Datastream

ESG

Insto

Private wealth

Responsible and ethical investment spectrum



Source: Evergreen Consultants

Peer awareness

Keeping up with the Joneses…

Private investors

Big super funds

Homogenisation

Heatmaps

YFYS

Competition

Source: Nicholson

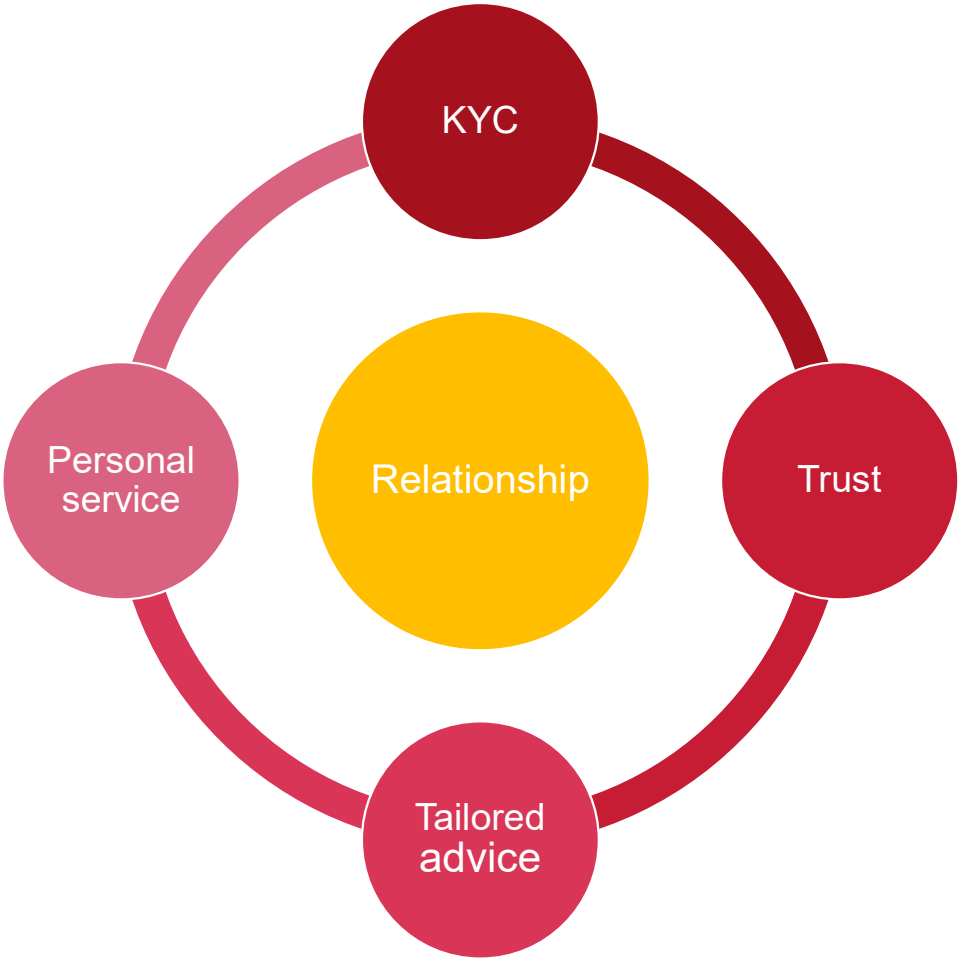
Size

Size does matter!

Examples of markets that may be too small for big instos				
Small caps	Emerging markets	Hedge funds	PE / VC	Australia

Navigating the landscape

Where financial planners can add value



The end!

Any questions?

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