



Centric Wealth MDA lifts efficiency gains

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Centric Wealth, the financial planning firm backed by CHAMP Private Equity, will move almost its entire \$4 billion in funds under advice into a managed discretionary account structure over the next couple of years, with \$2.8 billion already transitioned.

Since 2011, when Centric Wealth appointed specialist MDA provider, Philo Capital Advisers, to re-engineer its investment services, the group has transitioned over \$2.8 billion to an MDA structure. It currently moves around \$100 million per month into that structure.



The MDA structure is better-suited to the group's sophisticated high net wealth clients, many of whom are in retirement and have a sound understanding of the investment process, according to Ben McBride, investment research manager at Centric Wealth.

"The two big advantages are that we're able to implement dynamic asset allocation decisions and transact quickly on behalf of clients," he said.

"The Global Financial Crisis was the catalyst for many groups to adopt a more dynamic approach to asset allocation but the ability to implement in a timely manner is difficult in a Statement of Advice environment."

McBride said the advice industry was moving away from static asset allocation, standard model portfolios and traditional diversified funds, towards customised objectives-based advice.

However, he admitted that an MDA was not appropriate for all clients. While the structure is suitable for the overwhelming majority of Centric Wealth's clients, McBride said a handful of clients would remain under the previous structure.

"Most new money is placed on the MDA but it all depends on the client's individual circumstances," he said.

"We have a genuinely bespoke approach to portfolio construction rather than recommending a range of diversified funds. The industry is moving away from the one-size fits all model, not just in the high net worth space but also for clients with medium account balances. As the MDA sector gains scale, we'll see this strategy extended more broadly."

Philo Capital Advisers principal Brett Sanders (pictured) said the group had developed a true multi-asset class service that accommodated both listed and unlisted client portfolios, both active and passive.

He said the greater integration of managed accounts into Centric Wealth had many benefits for advisers and clients, most notably the ability to free advisers up to spend more time in front of clients.

"The MDA world is highly scalable and customised, and it is a more efficient way to operate," Sanders said, estimating that some businesses could boost net margin by 150 per cent by implementing the structure.

"Under the old way of doing things, an adviser with 200 clients could spend a month or two making changes to individual portfolios, but with an MDA structure it takes two to three weeks and it can be done by a third party. Over time, those savings can significantly enhance the profitability of a company and ensure better outcomes for clients because portfolios can be reviewed more regularly, with less operational risk and errors."

Earlier this year, the Australian Financial Review reported that Centric Wealth has appointed Macquarie Capital to explore its strategic alternatives, including a potential trade sale.