

# Building your SMA Model Portfolios with Macquarie

Ready to take your business to the next level so you can spend more time enhancing your client relationships? Have the investment capability and processes to create your own SMA Model Portfolios?

Delivering your SMA Model Portfolios via the Macquarie Separately Managed Account (**Macquarie SMA**) offered on the Macquarie Wrap platform, means we can help you create a strong, robust and compliant structure to support your business and your clients now and in the future.

## Trust in our experts

Now with over \$10 billion<sup>1</sup> of managed account funds under management, and a large front and back office team delivering expertise and support, you can be confident that we'll help you achieve success for your business and clients with managed accounts.

We have proven experience in this space, with more than 375 models<sup>1</sup> across 63 managers<sup>1</sup>. Dealing with bespoke practices through to large institutions – we will support your business through the process.

Choosing Macquarie to deliver your SMA Model Portfolios is a smart solution for your business, because our Macquarie Wrap platform is one of the biggest on the market and offers flexible solutions for both clients and advisers.

We offer the flexibility of choice for your model's responsible entity (RE). You are able to use a provider of your choice, including the capability of Macquarie Investment Services Limited (MISL). MISL provides the ability to efficiently manage your portfolios in one place. Assisting with:

- Preparing, issuing and updating the PDS
- Ongoing compliance with the constitution and applicable law
- Engaging the custodian and other service providers
- Overseeing SMA reporting/audit requirements
- Implementation services – including model strategies, rebalancing client portfolios and undertaking all the buying/selling of assets in line with model parameters.

## Bringing your SMA Model Portfolios to life



Macquarie Investment Services Limited (MISL), or the Responsible Entity (RE) of your choice, will approve you as an Investment Manager over a registered managed investment scheme. This means you will formally be able to provide SMA Model Portfolios offered via an SMA Product Disclosure Statement (PDS).



Macquarie Wrap will make the SMA Model Portfolios accessible as investment options within our investment menus for the Consolidator and Manager products. We'll inform you if your SMA Model Portfolios are eligible for both investment and superannuation accounts.



The investment manager will be required to provide us with initial and ongoing information about your SMA Model Portfolios.

## Understanding the roles and responsibilities

### Before your SMA Model Portfolios are approved

RE of the Macquarie SMA	MIML as IDPS Operator and Super Trustee	Investment manager
<ul style="list-style-type: none"> <li>Reviews and approves the investment manager and your SMA Model Portfolios.</li> <li>Reviews and approves disclosure for the Macquarie SMA PDS.</li> <li>Reviews underlying investments within your SMA Model Portfolios to determine if they can be supported on the platform.</li> <li>Reviews organisational structure to ensure FoFA compliance.</li> <li>Enters into an agreement which appoints you or your preferred partner as the investment manager and covers the investment mandate, commercials and responsibilities of each party.</li> </ul>	<ul style="list-style-type: none"> <li>Reviews and approves the investment manager and SMA Model Portfolios.</li> <li>Makes SMA Model Portfolios available on the Consolidator and Manager investment menus.</li> </ul>	<ul style="list-style-type: none"> <li>Confirms which licensed entity has the appropriate authorities to create the SMA Model Portfolios.</li> <li>Completes a due diligence review process, which includes a complete picture of the investment process and business capability through various required documents and supporting information (more information below).</li> <li>Provides portfolio information to be disclosed within the Macquarie SMA PDS, including investment objectives, descriptions of the portfolios and for whom the investments are best suited.</li> <li>Provides underlying investment holdings and weightings.</li> <li>Enters into a contractual agreement with Macquarie to be appointed a provider of the SMA Model Portfolios to be delivered via the Macquarie SMA, outlining the obligations and responsibilities of each party.</li> </ul>

### After your SMA Model Portfolios are available on the platform

RE of the Macquarie SMA	MIML as IDPS Operator and Super Trustee	Investment manager
<ul style="list-style-type: none"> <li>Receives and validates investment instructions from the investment manager.</li> <li>Implements investment instructions.</li> <li>Rebalancing client portfolios in line with the SMA Model Portfolios.</li> <li>Ongoing investment governance including: <ul style="list-style-type: none"> <li>quarterly performance monitoring</li> <li>annual investment manager reviews</li> <li>monitoring of any material changes.</li> </ul> </li> <li>Ensures your SMA model portfolio's Design and Distribution Obligations are met.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing investment governance including: <ul style="list-style-type: none"> <li>quarterly performance monitoring</li> <li>annual investment manager reviews</li> <li>monitoring of any material changes.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Regular reporting of SMA Model Portfolio constituents.</li> <li>Investment instructions (portfolio changes, corporate action instructions).</li> <li>Regular reporting of the costs for the SMA Model Portfolios.</li> <li>Annual attestation confirming that all information and disclosure is accurate.</li> <li>Additional information to enable Macquarie to meet its ongoing obligations as the RE of the Macquarie SMA.</li> <li>Notice to Macquarie of any significant changes that may impact the investment manager or the SMA Model Portfolios.</li> </ul>

## The approval process

Once you have confirmed your investment approach, which includes your investment philosophy, investment committee structure and process, the construct of the SMA Model Portfolios and your licensing structure, you need to submit the following documents to begin the three step approval process – which is designed to assess the investment and operational capability of the investment manager and SMA Model Portfolios.

### Please note

These documents are best completed by your investment professional, as they require detailed knowledge of the portfolio creation and investment process. Depending on the level of existing documentation, they can take a few weeks to complete. We recommend you set time aside to complete all the documents together, to avoid any delays.

Remember, if you need any assistance through this process, please let us know.

## Documents and information for you to complete

- ☐ **FSC Investment Management Questionnaire** – an industry standard questionnaire covering both investment and operational aspects of your business. The following sections are required:
  - Section 1 – Non Investment Information**
    - 1 Organisation and Staff
    - 2 Compliance and Risk Management
  - Section 2 – Investment Information**
    - 5 Investment Philosophy
    - 6-21 There are specific sections that relate to your SMA Model Portfolios, eg section 15 relates to Australian shares
    - 22 Investment performance
- ☐ **SMA Due Diligence Questionnaire** – provides us with a clear understanding of the investment manager's business and the investment mandate. The information requested in this document is specific to the framework of our investment governance and includes information the Macquarie Super Trustee and RE of the Macquarie SMA consider appropriate.
- ☐ **FSC Operational Due Diligence Questionnaire** – an industry standard questionnaire to assess the operational risk controls of your business.
- ☐ **Portfolio holdings and weightings** – assesses the minimum investment value of the SMA Model Portfolios and the availability of the holdings on the Wrap platform. Please note, all holdings must be available on our investment menu ([macquarie.com.au/supermenu](https://macquarie.com.au/supermenu)). If they aren't currently available, you will need to wait for those assets to go through our approved investments process before you can add them to your SMA Model Portfolio.
- ☐ **Three years of performance history** – assesses the appropriateness of the objective and benchmark, and provides a quantitative reference point to assess the SMA Model Portfolios against expectations. If you don't have a three year history available, back-tested or simulated data is required.
- ☐ **Conflicts of interest policy or statement** – describes how potential conflicts will be managed to ensure there are procedures for managing these situations.
- ☐ **Audited financial statements** – examined to understand the financial position and sources of income of the investment manager and to assess sustainability with respect to members' retirement savings.
- ☐ **PDS documentation** – a summary of the models key information, including target audience, asset allocation and benchmarks.
- ☐ **GS007 or Internal controls report** – required to assess and ensure there are sufficient systems and processes in place to monitor and manage operational risk.
- ☐ **Compliance plan or policy** – outlines the key compliance processes, systems and measures to ensure the investment manager has stringent controls in place.

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Macquarie Separately Managed Account

## The three steps for approval

The timelines shown are indicative only and may change depending on the depth of information you provide us and if we need to acquire additional details from you during each approval step.

# 1

### Due diligence

Review and approval of investment manager and SMA Model Portfolios

#### 8 week process

Assesses the capability of your business and determines how your SMA Model Portfolios would fit into our SMA offering via the platform.

Review of the documentation provided focuses on:

- structure of the investment manager
- size and qualifications of the investment team/committee
- investment process
- true to label representations
- appropriateness of objective and benchmark
- performance
- holdings, weightings and asset allocation
- compliance plans and processes
- reportable breaches
- alignment with the platform
- FoFA compliance (including conflicted remuneration)
- demand.

2 weeks approx. with Macquarie Managed Accounts team

3 weeks approx. with the RE of the Macquarie SMA

3 weeks approx. with MIML as IDPS Operator and Super Trustee

# 2

### Sub-Advisory Agreement

#### 1-2 week process

Execution of the legal agreement between Macquarie and the investment manager, which outlines obligations of each party to maintain the product.

# 3

### PDS development

#### 2-4 week process

Macquarie's development and approval of your disclosure to be included in the Macquarie SMA PDS – where all our SMA Model Portfolios available through Macquarie Wrap are disclosed.

We will set up your SMA Model Portfolios in our internal systems at the same time.

**After approval, our team of experts will continue to support your business as required.**

## Looking for more information or support with this process?

Contact our team of managed accounts experts today at [managedaccounts@macquarie.com](mailto:managedaccounts@macquarie.com) or **1800 501 180**

1 As at 13 February 2023. This document has been prepared by Macquarie Investment Services Limited ABN 73 071 745 401 (MISL) AFSL No. 237495. This document contains general advice and does not take into account your objectives, financial situation or needs. Before acting on this general advice you should consider whether it is appropriate to your situation. We recommend that you obtain financial, legal and taxation advice before making any financial investment decision. The Macquarie Separately Managed Account referred to in this flyer is offered by MISL. An investment in the Macquarie Separately Managed Account is an investment in the Macquarie Separately Managed Account ARSN 121968143 (SMA). The SMA is a registered managed investment scheme of which MISL is the responsible entity. MISL is the trustee of the Macquarie Superannuation Plan and the operator of the Macquarie Investor Directed Portfolio Service products.

MISL is part of the Macquarie Group of Companies.

Funds invested on your behalf by MISL are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 or of any other entity of the Macquarie Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither Macquarie Bank Limited, MISL, nor any other member company of the Macquarie Group guarantees the performance of the SMA or the repayment of capital from the SMA or any particular rate of return.