

# Suspended assets and Platforms

Masterfunds conference

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**Asgard**  
Wealth Solutions

## How did suspension of assets impact platforms?

BT Financial Group have been affected by **76 fund freezes** impacting applications, contributions and redemptions

BT Financial Group has approximately **\$4.7 billion of FUA in suspended assets**

BT Financial Group has over **215,000 impacted investors**

### The suspended assets have resulted in:

- 450,000 suspended asset specific letters being mailed to investors
- Our contact centres taking **thousands** of calls relating to suspended assets
- Our operations area processing **70,000 redemption window requests**

# How did suspension of assets impact platforms?

- *Cancelling processes that automatically feed redemptions through to managers*

- *Applying pro-rata to underlying clients*

- *APRA portability reporting requirements*

- *Managing pension payments*

- *Answering client queries*

- *Managing hardship claims*

- *Managing the complexity of 'set and forget' systems with templated portfolio construction*

- *Pooling redemption requests manually*

The suspended assets have resulted in:

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## How did platforms respond?

- Major impact – forced into significant extra spending
- New dedicated roles and teams
- Software and reports specifically for suspended assets
- Detailed risk scrutiny over new processes, policies and communications vetted at Board level

### Asgard example:

- **9** new FTE to manage processes across marketing, operations, product, contact centre and legal
- **10** IT staff allocated to manage new data flow process
- **8** new process workflows to deal with managing suspended assets

**Total extra spend of at least \$2 million**

# How did platforms respond?

**Asgard Wealth Solutions**

HOME > Transact Online

Search | Site Map | Help | Contact  
(Adviser) Access Level Select Client Log Out

### Restricted Managed Investments Create Sell Request

Account name: \_\_\_\_\_ Adviser name: \_\_\_\_\_  
 Account number: \_\_\_\_\_ Adviser number: \_\_\_\_\_  
 Account: \_\_\_\_\_

**You may only review information on this screen. Any changes made will not be saved.**

Select the managed investment(s) you wish to sell:

[Redemption window table]  
[Sell Restricted Investments History]

Select	Managed Investment	Units	Current Value(\$)	Invest Proceeds	Recurring Request
<input type="checkbox"/>	CF-YI Challenger W'S High Yield Fund (HOW0141AU)	13,628.249	9,905.01	Cash	<input type="radio"/> Yes <input checked="" type="radio"/> No

**Notes:**

- You cannot request partial redemptions from restricted managed investments
- If sell requests are satisfied on a pro-rated basis, this will mean some units are not redeemed. In this situation, if you have selected 'Yes' to 'Recurring Request', we will rollover the amount remaining into subsequent withdrawal windows until it is paid in full. You do not need to resubmit the redemption request. If you select 'No' your request to sell is for one redemption window only.
- You can place a request to sell restricted managed investments for specific redemption windows until our cut-off time stipulated in the [Redemption window table](#). All requests received after this cut-off time will be queued for any subsequent redemption window.
- You cannot create a request to sell restricted managed investments online if it is part of a Hardship Request. You will need to complete the relevant paper form.
- If the redemption restrictions are lifted for a restricted managed investment:
  - A recurring request will be replaced in the system as a standard sell transaction and the proceeds will go to cash (even if you have selected MMI for the

Set Save Print/Submit

Asgard's response was to deliver new online functionality that allowed advisers to manage redemption requests of frozen assets online

- Advisers were given the ability to view the status of clients' redemption requests
- Advisers could track the history of redemption requests (including having these be carried over to future redemption windows)
- Advisers have more control over clients' sell request instructions (including where the proceeds of these assets are paid to online)

# How did Platforms respond?

**BT Financial Group**  
BT Fund Manager Governance Unit

**FUND NAME:** Colonial First State Wholesale Australian Share Fund  
**FUND MANAGER:** Colonial First State

**ASSET CLASS:** AUSTRALIAN EQUITIES - GROWTH  
**STYLE:** GROWTH  
**CAPITALIZATION:** LARGE CAP  
**BENCHMARK:** S&P/ASX 300  
**RISK:** 2% - 4% Tracking Error

**LIQUIDITY:**  
**APIR Code:** FSP0002AU  
**INCEPTION DATE:** Nov-01  
**FUND STATUS:** Open  
**FUND SIZE:** \$M  
**BT EXPOSURE:** 0  
**ICR:** 0.96%

**SUSTAINABILITY**  
**FMG ASSESSMENT:**

**INVESTMENT OBJECTIVE**  
To provide long-term capital growth with some income by investing in a broad selection of Australian companies.

**INVESTMENT STRATEGY**  
Colonial First State's 'GDP Plus' approach is based on the belief that, over the medium-to-long term, share prices are driven by growth in a company's earnings, despite the existence of sentiment which can lead to short-term price volatility. The strategy of the fund is therefore to invest in quality companies, with strong balance sheets, whose earnings are expected to grow at a greater rate than the Australian economy as a whole. The fund predominantly invests in Australian companies and therefore does not hedge currency risk.

**RECENT DEVELOPMENTS**  
08-Aug-08 Lonsac reinstates Investment Grade rating  
01-Aug-07 Marcus Fanning appointed as PM  
22-May-07 Portfolio manager, Simon Shields, departs  
15-May-07 Senior analyst, Jim Taylor, moves to BT

AEQC - Colonial - (Colonial)		AEQGCOL			
vs S&P/ASX 300 Accum Index					
Performance as at 30 September 2008	5 years	3 Years	1 Year	6 Months	3 Months
<b>Fund Total</b>	12.1U	6.5Z	-1.1U		-1U / 4
<b>Benchmark Total</b>	12.92	8.70	-16.01		-10.40
<b>Excess Return</b>					
<b>Quartile Ranking</b>					

**BTFG EXPOSURE**

Platform	Option Name
BT Lifetime - Flexible Pension	CFS Australian Share
BT Lifetime Super - Employer Plan	CFS Australian Share
BT Lifetime - Flexible Pension	CFS Australian Shares NEF
BT Business Super	Colonial First State Australian Shares
BT Lifetime - Personal Super	Colonial First State Australian Shares
BT Lifetime - Personal Super	Colonial First State Australian Shares NEF
BT Portfolio Personal Service - Investment	Colonial First State Wholesale Imputation Fund
BT Portfolio Personal Service - Pension	Colonial First State Wholesale Imputation Fund
BT Portfolio Personal Service - Super	Colonial First State Wholesale Imputation Fund
Wrap Advantage	CFS Wholesale Geared Fund
Wrap Advantage	CFS Wholesale Imputation Fund
Westpac Advice	
Asgard eWRAP Investment Account	Colonial First State WS Australian Share
Asgard eWRAP Super and Pension Accounts	Colonial First State WS Australian Share
Asgard Investment Funds, Trustee Funds, Pension	Colonial First State WS Australian Share
Asgard Superannuation Accounts	Colonial First State WS Australian Share

**Report for the Quarter ended** June 30 2009  
**FMG Reviewed Date** June 30 2009

**RATINGS**

**MORNINGSTAR** 2 Star

**STANDARD & POOR'S** Not Rated

**Eyk** Not Rated

**LONSEC** Not Rated

**KEY FACTORS**  
Team is newly assembled after a period of instability

**VALUE PROPOSITION**  
Large experienced team

**Growth of \$10,000 Invested (net of ongoing fees)**

**Net FUM (\$M)**  
at 30 June 2009 at 30 June 2008

**STANDARD & POOR'S**

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## Asgard Investment List – Liquidity Paper

September 2008

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**New Fund Manager Governance team**

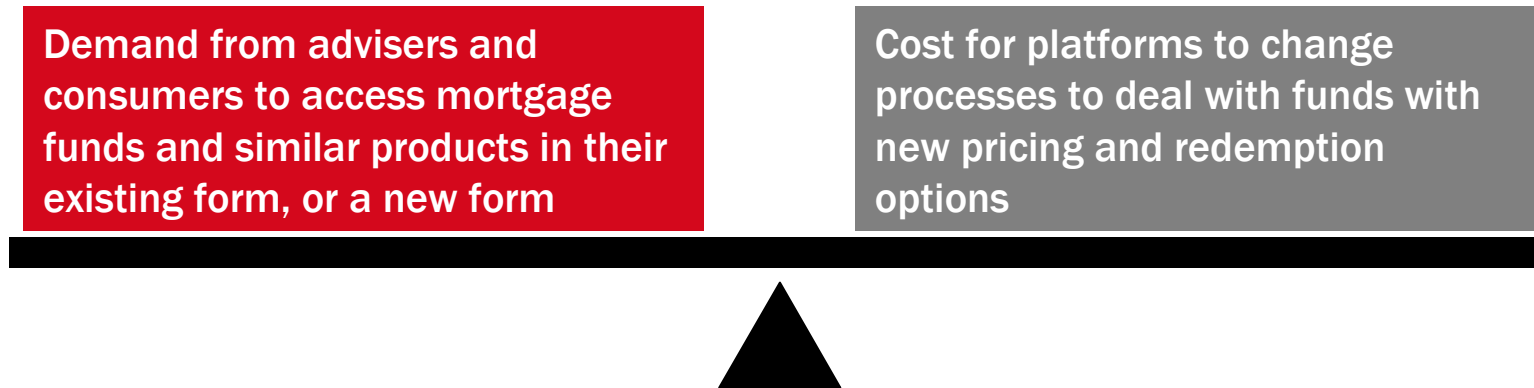
**New software was adopted and reports created to ensure greater scrutiny of managed funds and fund managers.**

**The reports that were developed monitor performance, liquidity, diversification, fiduciary obligations and other criteria**

## What does the future hold?

- While Platforms continue to be a 'supermarket' for investment options, extra scrutiny on approval of funds going onto platforms – more detailed processes that have a quality overlay incorporating:
  - Liquidity risk
  - Concentration risk (dealer group)
  - Performance
  - Diversification risk (client)
- Trustees will be more cautious in Super particularly given the Trustee obligations in this space
- Introduction of a fund manager governance team to review all of the funds on an approval and ongoing basis

## What does the future hold?



- Platforms will respond to consumer and adviser demand around new asset types in this space, but this will be balanced against Trustee duties and the cost of adding new options which current IT may not be able to support
- This includes assets that are being re-opened, platforms will be cautious about how these funds are dealt with

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