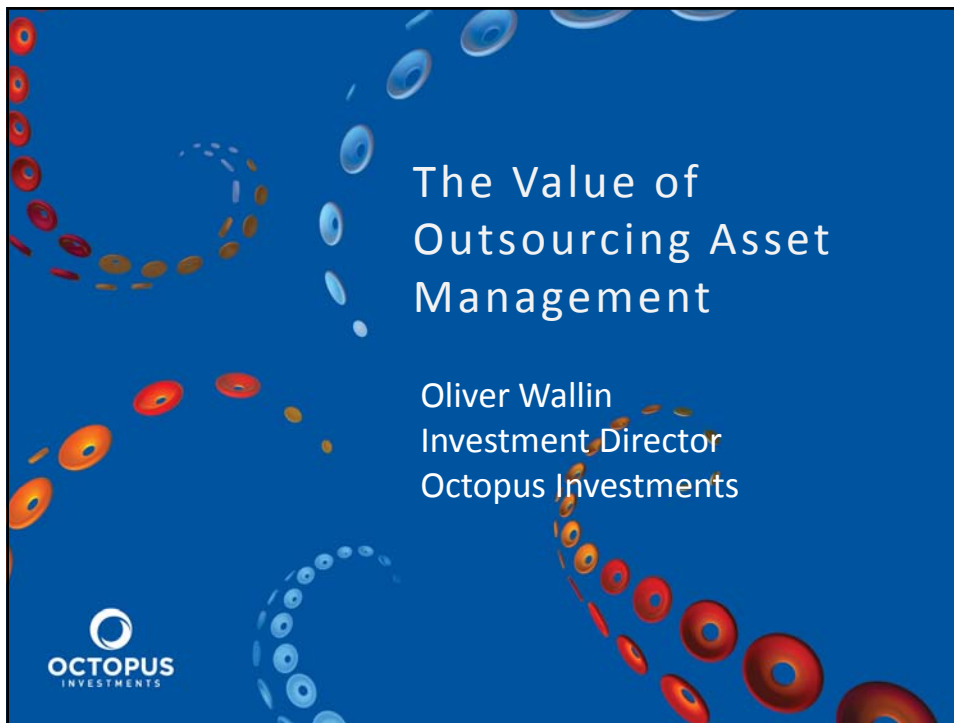




Distributor Funds – Defining the Principles for Good Consumer Outcomes



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Outsourcing – A Help or a Hindrance?

- How does it help?
 - Can improve consumer outcomes
 - Clear divisions of responsibility
 - Introduces efficiencies
 - Increases the sustainability of the core business

- How does it hinder?
 - Invites more scrutiny from the regulator
 - Creates potential conflicts
 - Requires a robust process
 - Can create additional administrative burden



Why Outsource At All?

- Employ specialist expertise
- Free up time to concentrate on what a client values
- Focus on core competencies
- Introduce cost efficiencies
- Satisfy the demands of regulatory environment
- Improve the overall proposition to clients





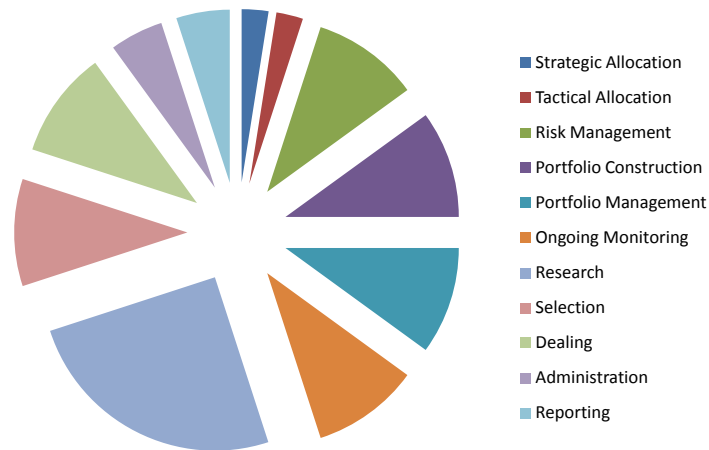
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Routes to Outsourcing Asset Management

- Mutual Funds
- Fund Research
- Strategic Asset Allocation (model portfolios)
- Multi Manager (fund of funds)
- Discretionary Portfolio Management
- Distributor Funds



What are you Outsourcing?



For illustrative purposes only

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Expanding the Outsourcing Activity

- Ability to create a comprehensive investment solution built around client needs and profiles
- Fully diversified, professionally managed portfolios
- Multi Asset
- Global
- Whole of market
- Risk management
- Available through multi manager solutions - model portfolios, discretionary management, fund of funds or DFs

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Distributor Funds.....



- ...are not the work of the devil

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The Options

	Model	FoFs	DPM	DF
Professional Management	✓	✓	✓	✓
Smaller clients	✓	✓	✗	✓
Transparency	✓	✓	✗	✓
Regulation	✓	✓	✓	?
Consistency	✗	✓	✗	✓
Tax efficient	✗	✓	✗	✓
Cost efficient	✗	✓	✗	✓

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And Within a DF Structure

- All the benefits of a fund of funds PLUS
- Greater transparency
- Greater control over the mandate
- Ability to ensure alignment with advice process
- Ability to adapt the strategy
- Cost control
- Better servicing
- Greater access to the fund management team and other third parties

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Benefits of the DF

- Alignment
- Control
- Defined roles
- Consistency
- Clear process

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And the Downside....

- Additional regulatory scrutiny
- Potential conflicts of interest
- Regulatory uncertainty

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A Well Run DF - the Consumer Outcome

- An investment solution designed around client needs
- An advisor with more time to spend on the things that matter
- Better transparency and access to fund management team
- A structure that produces better service and cost efficiencies
- Alignment across all parties
- Flexibility
- A better solution than an off-the-shelf proposition
- A value creator that supports long term sustainability without detriment to the client

