Our Partnership Proposal

Robert Zammit

Partner

RSM Financial Services Australia

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Dear Rob and the RSM Selection Panel,

We thank you for the opportunity to submit a proposal and outline Context Capital Consulting’s credentials and track record in delivering consistent client investment experiences that truly reflect the values, beliefs and DNA of the advice firm that serves them.

The core of our value proposition resides across the following;

**Our Clear Purpose**

Our purpose is to help our clients make better investment decisions. Our proprietary processes ensure we work in a collaborative manner to help advisory firms develop a clear set of investment beliefs and principles and then translate them into bespoke portfolios that can sit as the core of a firm’s investment approach.

**The Strength and uniqueness of our partnerships**

We are supported by Australia’s leading independent asset consultant, **Frontier Advisors**. With over $500bn in assets under advice, we have a long term, contracted relationship that ensures our clients benefit from industrial strength research and portfolio construction tools that are not available in the retail advice market.

**Governance culture & business risk focus**

Context does not receive payment from fund managers and guarantees that we do not advise on any potentially conflicted remuneration investment structures. Our total focus remains on helping our clients make better investment decisions and implement them for their clients. We do not manufacture our own investment product and have the governance structures and culture in place that ensures we remain unconflicted.

**Capability, drive and institutional experience of team**

The Context Capital team has successfully managed significant funds in an ultra-competitive and highly visible, APRA regulated institutional setting. The key members of the Context team are owners of the business are 100% committed to the long-term success by combining substantial investment experience and vibrancy to our client engagement over many years to come.

We are pleased to be outline in detail our capability in the attached RFP, and I welcome any questions regarding the information we have shared.

Kind regards,

Chris West

Why Context Capital right long-term investment consulting partner for RSM.

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| **What will make this successful for RSM** | **Context Capability and Approach** |
| A portfolio purpose built for RSM’s investment philosophy with RSM retaining decision oversight. | Context Capital specialises in supporting and building portfolios that align specifically with our clients philosophies is *all* we do.  Context Capital develops an appropriate delegations matrix in partnership with each of our clients to determine the responsibility and accountability for each investment decision. |
| Personal, engaged service across the RSM advice team | Context has in person, local presence *where it counts* for RSM. With the majority of our team based in Perth, combined with presence in other key locations, we have the right team on the ground to help drive engagement and adoption. |
| Buy-in from advisers | Context has a purpose-built investment philosophy workshop process designed to be *inclusive* of the advice team and Investment Committee.By including advisers in the process to review and develop a firm’s investment approach. Context has managed this process with up to 17 participants previously. It is likely the best result will be breaking the broader advice team into cohorts to run through the workshops to then present options for decision at the RSM Investment Committee level. |
| Maintaining RSM’s strong heritage and managing reputational risk. | The Context team have long term horizons and are looking to build a multi-decade business based on our own personal values and beliefs about the importance of contextual investment solutions. RSM can be assured about the longevity of the offering from Context, given the career stage of the key people in the team.  Context does not engage in any activity that could be a reputation risk for RSM in the future:   * Context does not have any conflicts. * We do not have any internal products, scaled unit trusts or direct equities capability that provide conflicts in portfolio construction. * We do not get paid by managers to undertake research. * We do not and will not partner with any advice firm or dealer group where they ‘take a clip’ and have conflicted remuneration on a managed portfolio. * We are employee owned with no wealth firm, private equity or publicly listed linkages on our shareholder register.   Context is though asset owner grade in the robustness of our portfolio construction approach in partnership with our clients. This enables us to be a very low risk option for RSM when it comes to reputational risk. |
| A competitive fee and cost structure making best interest duty compliance easier for RSM and the advice team. | Context is please to offer RSM a SMA fee structure that will make the all-in costs competitive for RSM’s clients.  Context offers RSM the following fee scale:   * First $400,000,000: 0.09% p.a. * Next $400,000,000: 0.06% p.a. * After: 0.01% p.a.   With a cap of $720,000 p.a. indexed to CPI which will apply in aggregate across all platforms.  With RSM’s scale, this is an incredibly competitive cost to build a bespoke suite of Separately Managed Accounts with builds in the scale benefits from dollar one.  Additionally, Context Capital has a strategic research partnership with Australia’s leading independent asset consultant, Frontier. Frontier advises on over $500 billion in client assets including some of Australia’s largest and most sophisticated investors.  As an exclusive benefit of this relationship for RSM and RSM alone, Frontier will request fund managers that comprise a substantial part of RSM’s client portfolios consider the overall scale of their relationship with Frontier in determining the pricing for RSM managed accounts managed by Context Capital.  This pricing also provides ample room for including the most appropriate direct equities strategies for RSM’s clients without RSM needing to worry about conflicted and bundled approaches to deliver lower fees. |
| The investment consultant being a genuine partner | Context Capital is pleased to offer RSM a genuine partnership proposal where Context can support RSM’s growth into the charitable, not-for-profit and family office segments.  Context can support RSM by:   * Being part of RSM’s offering to these segments by making Context’s governance consulting capability part of RSM’s service to the clients. * Coaching and education of the advice team in investment governance including support in how it builds investment policy statements for clients. * Making the Context team available in person in Western Australia and as appropriate in other jurisdictions to support pitches and engagement with these segments. * Referring charitable, endowment and NFP opportunities to RSM. |

Your Investment Consulting and Relationship Management Team

**Chris West**

Role for RSM: **Lead Consultant and Outsourced Chief Investment Officer.** Chris will be responsible for all recommendations to the RSM Investment and accountable for any decision taken by Context Capital under delegation. Chris will lead the facilitation of all investment beliefs and philosophy workshops to develop the appropriate mandate for the portfolios and achieve adviser buy-in to the process.

Relevant Experience: Chief Investment Officer at $4 billion WA Super including finalist in the 2019 Conexus Chief Investment Officer of the Year Awards and winning awards such as the AFR Blue Ribbon Award for the Capital Stable fund. Chris has strong expertise in investment governance and strategy development. He holds the GAICD designation from the Australian Institute of Company Directors and is a CIMA. His prior experience includes investment consulting for mid-sized asset owners ($1 billion to $10 billion) in the Superannuation and other sectors).

Example Advice Firm Clients: Redwood Wealth Alliance, Diamond Blue Financial Services, Empire Financial Group

**Chris McAlpine**

Role for RSM: **Consultant, Investment Strategy, Portfolio Construction and Research.** Chris will be responsiblefor portfolio analysis, recommendations and research related to RSM’s portfolio and has primary responsibility for leveraging off our under-arching research relationship with Frontier.

Relevant Experience: Senior Investment Analyst at $4 billion WA Super including winning awards Selecting Super’s Best Performance and Money Management Best of the Best for International Equities. Chris was also the valedictorian in the 2017 CIMA course. His prior experience includes extensive and complex actuarial modelling for large and complex

Example Advice Firm Clients: Bruining Partners, Securitas Financial Group, Approved Financial Planners

**Mike Parker**

Role for RSM: **RSM Business and Relationship Strategy**, **Adviser engagement – Western Australia.**  Mike will be responsible for key relationships at an RSM leadership level to ensure the overall service provided by Context is meeting the needs of RSM across the entire advice business. Mike will also have responsibility for ensuring the Western Australian advice team receive the service, engagement and support required.

Relevant Experience: Mike has had an extensive career in financial services, with executive positions responsible for both sales and operations for large listed and small organisations. Over the last 30 years he has worked with many of Perth’s finest financial planning businesses to help drive business improvement and efficiencies, building very strong relationships along the way. Notably Mike held leadership roles for BT from 2010 to 2019 and distribution roles from 1998 to 2007 and so has extensive knowledge and background reading the heritage of RSM’s financial advice business and the relationship with BT Panorama as the initial platform for launch of the SMAs.

Example Advice Firm Clients: RSM, TBC

**Mark Foo**

Role for RSM: **Investment operations, portfolio execution, platform administration, reporting.** Mark will be responsible for the day-to-day execution, administration, reconciliation of the portfolios and the performance reporting for the SMAs. Mark will also be the key point of contact across the RSM advice team for any platform related troubleshooting regarding portfolio administration in partnership with the relevant platform.

Relevant Experience: Investment Operations Analyst at $4 billion WA Super along with fund administration roles. His prior experience includes investment research and administration at Asgard along with other operational roles in financial services. Mark has developed extensive experience in operational risk management, procedures and controls. Mark is currently responsible for Context Capital’s operational risk management in relation to portfolios managed on BT Panorama, Netwealth and Praemium.

Example Advice Firm Clients: Profusion Planning, Lifespan Consulting

**Bruce Maloney**

Role for RSM: **Governance and Investment Committee Advisory and Participation.** Bruce will be responsible for active participation in the RSM Investment Committee and to foster challenge, discussion and debate regarding the recommendations from Context. It is critical for the RSM Investment Committee to be able to say no to a recommendation and Bruce is highly skilled and working through what is and is not appropriate for an advice firm at the Investment Committee level.

Relevant Experience: Bruce has over 40 years of experience in the investment and capital markets, working in Sydney, Melbourne and Perth, covering areas including equities, fixed income and money markets. Bruce has been advising the boards of industry and corporate superannuation funds, including APRA regulated funds, a number of financial planner / advisor groups, as well as larger private investment portfolios since 2003, regarding asset allocation, asset selection for diversified multi-sector and single sector investment portfolios. Bruce is currently on the Investment Committee of the Chamber of Commerce and Industry WA.

Example Advice Firm Clients: TWD, Symmetry Group, Chesterfields Financial Services

**Vessela Tasker**

Role for RSM: **project management, adviser engagement – Victoria and operations**. Vessela will be responsible for the project management of the SMA due diligence and onboarding process.

Relevant Experience: Currently an independent contractor for advice firms and related businesses. Previous experience includes Ironbark Asset Management, State Street, and Investors Mutual Limited. Vessela has dedicated experience in helping clients design, launch and sustain multi-asset managed accounts and fund-of-fund products on designated platforms, while being a Fund Manager at Ironbark Asset Management. She was instrumental in setting up and leading this process for five well-established and growing IFA firms. In this process, she developed strong relationships with a number of managed account platforms including BT Panorama, Netwealth and Macquarie, attaining a critical understanding of their operational advantages and limitations.

Example Advice Firm Clients: Morgans Financial Brighton, First Point Wealth Management, FMD Financial

**Robert Burchell**

Role for RSM: **Adviser engagement – South Australia.** Rob will be responsible for ensuring the Adelaide advice team receive the service and support required for them and their clients.

Relevant Experience: He is a JP and holds an MBA Advanced from University of Adelaide. He holds the GAICD designation from the Australian Institute of Company Directors as well as a number of industry specific qualifications.

This combined with over 30 years industry experience, enables him to provide sound leadership and advice in risk insurance, financial planning, dealer services, industry networking, global investing and the industry fund sector. Robert was the state manager of WA/SA/NT for Russell Investments from 2011-2018 and so has extensive experience in adviser engagement for multi-asset portfolios.

Example Advice Firm Clients: TBC, TBC

**Frontier**

**Benefit for RSM:** RSM will benefit from one of Australia’s largest research teams supporting Context Capital’s advice and implementation for RSM, that is **conflict free** without any manufactured product or conflicted ratings fees.

Frontier is Australia’s leading independent asset consultant. Frontier have been advising Australian institutional investors as a trusted adviser for over twenty-five years. Frontier provides advice on more than $500 billion of assets across the superannuation, charity, public sector, insurance and higher education sectors. Frontier have partnered with Context Capital in the financial advice and wealth management sector, including for Separately Managed Accounts.

**Jacobi Strategies**

Benefit for RSM: RSM will benefit from access to an engaging and interactive that supports consultative portfolio engagement, transparency and decision making that will enable the RSM Investment Committee to constructively consider recommended and alternative portfolios. This quality of technology is normally reserved for global asset owners and significant multi-family offices.

Jacobi strategies is a global multi-asset portfolio design software platform. The Jacobi platform is designed to magnify your investment philosophy and processes, leverage our data structures and be accessible from anywhere to enable greater engagement.

Founded in 2014, Jacobi is based in San Francisco with offices in Brisbane, Australia, and London. The Jacobi team comprises seasoned professionals from institutions such as Queensland Investment Corporation (QIC), JPMorgan, BlackRock, Colonial First State, and Fidelity International.

Scope of Works

1. *Assist in the preparation of our investment philosophy document. This includes articulating RSM investment beliefs and preparing a professionally branded document.*

Context Capital specialises in the development and implementation of our client’s investment philosophy. Each philosophy is unique but at its core, a philosophy should be broken into a series of statements that are separated into a *belief* and a *principle*. This translates the abstract perspective on markets and client preferences into actionable principle that are used for investment decision making.

Context works with our clients to develop the most appropriate way of communicating the firm’s investment approach. Context commits to engaging professional graphic design resources to collaborate with Context and RSM to appropriately brand the investment philosophy document.

1. *Review the current RSM investment risk questionnaire process. Develop a more effective and modern questionnaire process that our advisers can use to determine clients appropriate risk profiles.*

Context Capital is an investment consultant first and foremost and as such will look at the review of the risk profile through this lens. In our view key to providing meaningful input to a investment risk questionnaire is exploring issues such as the definition of risk through the investment philosophy workshop. A successful review of the questionnaire will link back to the investment philosophy for the portfolios – specifically how risk is measured and defined.

1. *Assess RSM’s current risk profile asset allocation weightings and determine appropriate underlying asset allocations. This will be used for the basis of all model portfolios.*

In order to appropriately assess any asset allocation or manager configuration, a framework to assess these portfolios needs to be developed to carefully define both success and failure and prioritise all the different characteristics of a portfolio that are important but ultimately face trade-offs. In order to evaluate portfolios, out of the investment philosophy workshop process, one of the key artefacts RSM will receive is a **Portfolio Quality Scorecard (PQS)**. The PQS is designed to translate an investors’ beliefs into measurable objectives and priorities for portfolios.

1. *Work with RSM to create and manage a series of model portfolios.*

The refined Statement of Investment Beliefs and Principles and the PQS for each Risk Profile will then be used to assess the current asset allocations and alternative portfolios. In order to determine the model portfolios, including the manager configuration Context will present different options for the Investment Committee’s consideration including articulating the trade-offs, benefits and costs of each portfolio.

1. *RSM wishes to oversee and approve all investment decisions.*

Context Capital develops an appropriate delegations matrix in partnership with each of our clients to determine the appropriate level of delegation regarding each investment decision. This would then be incorporated into the Investment Committee Charter and communicated to the platform. BT Panorama are familiar with Context’s approach to build best practice delegation frameworks with our clients regarding SMA mandates and have worked with Context targeting a similar objective where Context is the appointed model manager.

1. *The key focus will be to adopt the models via a SMA investment offering initially on BT Panorama. If successful, this will be replicated on Colonial First State First Wrap and potentially other platforms depending upon the need of our advisers and scale.*

Context Capital is platform agnostic and works with the platform selected by out client which is the most suitable for their practice and the end client. We currently work with BT Panorama, Netwealth and Praemium to build client SMAs. We are happy to work with First Wrap and other platforms as directed by RSM.

Objectives

Context Capital is well placed to deliver on the objectives for RSM and your clients.

*Be visually attractive and look very professional for clients and advisers.*

* Context Capital works with professional graphic designers to support our clients. Example flyers are provided at Attachment X. When undertaking this process for other clients, we typically start with the style guide or equivalent for that firm and build documentation in a consistent format and language to other firm documentation.

*Easy to understand for clients.*

* Context Capital will work in partnership with the RSM team to appropriately communicate the portfolios for clients. This will include using language and terminology fit for purpose for RSM’s advice process.

*Simple for advisers to use and explain.*

* Context Capital will work in partnership with the RSM team to appropriately communicate the strategies for advisers. This will include using language and terminology fit for purpose for RSM’s advice process.

*Initially created from say 60%-70% of existing investments within current portfolios (see appendix) to assist with change management. This will also minimise CGT and switching costs.*

* Context Capital works with each firm following the investment philosophy workshop process to determine appropriate strategies to retain within the Separately Managed Account. As part of the portfolio design process following the investment philosophy workshops Context will work with RSM to appropriately determine the assets to be retained considering the likely transition of clients.

*The total fee budget (inclusive of MERs, RE + Consultant Fees) should be at least 10 BPS less than current RSM investment portfolios to make it attractive to move clients under best interest. Ideally, if the total cost can end up close to an industry Balanced Fund would enable our advisers to easily meet their best interest duties.*

* Context Capital has offered RSM an incredibly competitive fee structure which would be around 0.062% p.a. when the portfolio is $1 billion and 0.036% if the portfolio reaches $2 billion. This combined with the rebates we are generally able to access from managers and the exclusive arrangement in place for RSM with our $500 billion + strategic partner, Frontier Advisers to help negotiate even further reduced fees, will deliver competitive fees and help deliver on this objective for RSM.

*Low turnover. In particular with any direct equities. High turnover is perceived negatively by clients and tax partners.*

* Context Capital will explore this with RSM as part of the investment philosophy workshop process to help define the criteria and trade-offs. This will, in particular, inform the appropriate mandate for the direct equities sleeve including determining the appropriate provider, portfolio style and customisation if appropriate.

*Initial models to be based on risk profiles.*

* Context Capital works with clients on a risk profile, bucketing or income / growth pool basis. The flexibility of our technology capability enables Context to modify and map portfolios in future should this change.

*Models to allow advisers to select a managed version or direct equities version for the Australian share allocation in the model.*

* A key benefit of engaging with Context Capital is that RSM would not be tied into a specific approach for the managed version or direct equities version of the models and the most appropriate direct equities approach for RSM can be selected rather than using a consultant’s in-house approach. Given our deep emphasis on contextualising the portfolio, we would work with RSM on whether incorporating an index shares model (e.g. a top 20 index managed by Blackrock), an off the shelf model (e.g. by Ausbil or Antares) or a customised equities mandate by a managed account specialist (e.g. Resonant or Aequitas). Any of these approaches might be suitable for RSM and your clients and our process is designed to assist in determining the appropriate allocation to managed funds, ETFs and direct securities for different models.

*Rebalancing to be limited to minimise turnover, potentially bi-annual/quarterly and post distributions. However, be prepared to be active when it matters.*

* Context Capital will explore this with RSM through the investment philosophy workshop process to help determine the optimal frequency and approach the dynamic or opportunistic rebalancing.

*Use asset allocation as a tactical tool.*

* Context Capital will explore this with RSM as park of the investment philosophy workshop process. For any portfolio and investor where a dynamic or tactical asset allocation approach is considered, best practice is that a dynamic asset allocation framework is developed. This enables clear guidelines regarding the criteria for implementing *and removing* a tactical tilt.

*Look through reporting to provide clients with a clear picture of the underlying positions.*

* Context Capital provides monthly performance reporting that includes the performance of, and allocation to, underlying investments as standard. The format, presentation and content of these reports can be tailored to RSM’s requirements.

*Build a marketable performance track record that RSM can use.*

* The Context Capital team has an existing track record across multiple organisations. However, the RSM track record will be RSM’s and we can support backfilling an auditable track record from incumbent models if required.

*Provide regular/professional communication and updates for advisers.*

Context will tailor a communication approach for RSM. At a minimum this will include:

* Professionally designed portfolio fact sheets in agreed branding
* Monthly digital performance reporting in agreed branding that can be tailored to requirements
* Quarterly market and portfolio commentary
* 6 monthly meetings with every adviser in RSM
* Formal Investment Committee agenda management, papers and reporting regarding the managed model portfolios.
* Post IC communication and briefings as appropriate to the full advice team

This can also include video content, induction programs for new advisers or support staff and other ad-hoc communication as required. These are representative of what Context has provided to other clients.

*Be prepared to co-host and present at client functions.*

* Context Capital commits to co-host and present up to 4 client functions annually in Western Australia.
* Context Capital commits to co-host and present at least 1 client function for each RSM office with advisers outside of Western Australia at a mutually agreed time up to a total of 8 per annum.

*Be prepared to assist with the preparation and presentation for tenders on Not for Profit and Charitable organisations.*

* Context Capital commits to a strategic partnership with RSM whereby Context can coach RSM advisers as appropriate in the development of investment governance and Investment Policy Statements for NFPs and be available to support RSM as a strategic partner including referrals in this sector.

*Roll out education and adviser support around the investment models.*

A key difference between Context and other providers that RSM may consider is that Context’s approach to building and articulating a firm’s investment philosophy is designed to be inclusive of the advice team, so it is much more of a ‘pull’ approach rather than a ‘push’ approach dictating to advisers . From our understanding of RSM’s current approach and the transition you are looking to make, this will be critical to the success as it is highly unlikely a dictated approach will engage the broader advice team. Initially, Chris West and Chris McAlpine will have responsibility for engaging with all advisers to help review the RSM investment philosophy. Then an ongoing basis, Context will provide a nationwide personal service to RSM’s Investment Committee and individual advisers. We are able to do this given we have the right team presence in the right locations for RSM meaning more service for RSM and your clients that can be delivered in a sustainable way.

Table 1: Proposed Adviser Relationship and Investment Support Team

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| --- | --- | --- | --- |
| **Location** | **Advisers** | **Context In Person Investment Support Team** | **Comment** |
|  |  | **Investment Committee Attendance** |  |
|  |  | Chris West, Chris McAlpine, Bruce Maloney |  |
|  |  | **Investment and Relationship** |  |
| Canberra | 2 | Chris West, Chris McAlpine | Family in Canberra |
| Wagga | 3 | Chris West, Chris McAlpine | Family in Canberra |
| Albury | 2 | Chris West, Vessela Tasker | Melbourne Presence |
| Perth | 9 | Chris West, Chris McAlpine, Mike Parker, Bruce Maloney | Perth Team |
| Ballart | 3 | Vessela Tasker, Chris McAlpine | Melbourne Presence |
| Adelaide | 3 | Rob Burchell, Chris West, Chris McAlpine | Adelaide Presence |
| Sydney | 3 | Chris McAlpine, Chris West | 2 other Sydney clients |
| Melbourne | 3 | Vessela Tasker, Chris McAlpine | Melbourne Presence |
|  |  | **Operational and Platform** |  |
| All | 28 | Mark Foo, Chris McAlpine and Vessela Tasker |  |

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