

XPLAN PRODUCT ASSET ALLOCATION

1. FUND MANAGER ASSET ALLOCATION DATA ISSUES

Fund managers report asset allocation data through to data providers such as IRESS on a periodic basis. Due to recent changes in reporting standards and legislation, these allocations have raised some questions when advisers are putting together advice documents in Xplan (Compass & CWT).

Some of these allocations have been coming through with negative cash percentages or in other forms that disrupt the overall asset allocation of a client.

As many managed funds, especially those in the diversified alternatives, long-short, market neutral and quantitative sub-sectors, have the ability to use derivatives, short-selling, and other complex financial products/tactics to generate returns for their portfolios, the underlying asset allocation of the fund gets distorted from how the client should view their Strategic Asset Allocation (SAA).

The underlying managed funds allocation to certain asset classes are not incorrect as the fund may actually have negative cash balance, this is just not important from a client SAA perspective.

E.g. An Australian Long-Short Fund may have negative cash as they have shorted some shares and therefore need to repay back these shares in the future. Whilst the negative cash balance is true, to a client, this is still a 100% Australian Equity allocation.

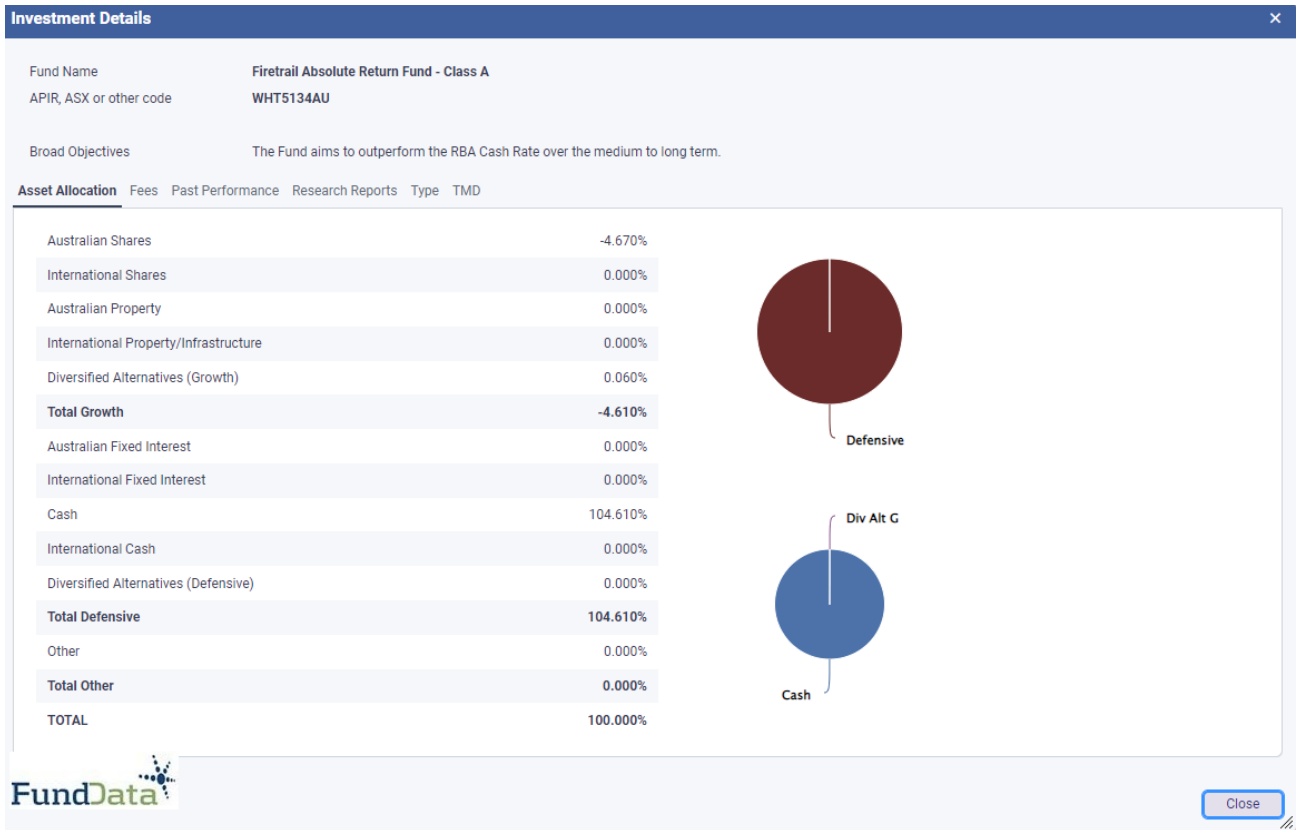
2. HOW TO WORK WITH A CLIENT WHEN THIS OCCURS

It is very important to outline to the client that due to the complex nature of managed fund reporting of the underlying investments, the asset allocations that feed through from Xplan may be inaccurate to how the client is truly invested. The bottom line is that the client is still invested correctly.

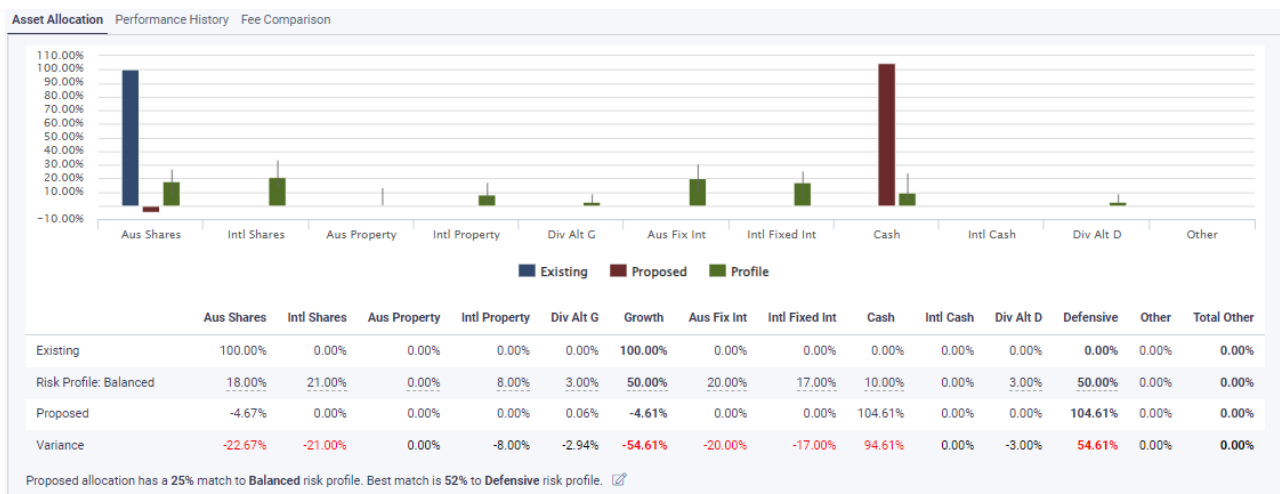
Centrepoint are investigating how to mitigate this issue with the data providers in the market.

HOW IT IMPACTS XPLAN AND INVESTMENT IMPLEMENTATION

Advisers use a tool called WealthSolver to input data into Advice Documents. When recommending an impacted fund, the asset allocation breakdown in the system is presented as below.



It also feeds into the advice document this following chart that represents the client's current position versus risk profile versus proposed position.



(Note: In these examples, for the purpose of highlighting this issue, I have a platform that is 100% invested in an affected fund.)

In Xplan there are two sources of data that we can draw from. WealthSolver uses information stored in a system called FundData this is scraped directly from what Fund Managers send to them and is controlled and centralised by Iress. Another source is in the portfolio systems, and allow us to manually overwrite information as pictured below:

Product Details: WHT5134AU.FND

Summary Prices **Asset Allocation** Fees Analysis Research Reports Local Research Product Lists

From: 9/08/2023 To: 9/08/2023 Apply

			Defensive Assets					Growth Assets					Other Assets
	Date	Source	Australian Fixed Interest	Cash	Diversified Alternatives (Defensive)	International Cash	International Fixed Interest	Australian Property	Australian Shares	Diversified Alternatives (Growth)	International Property/Infrastructure	International Shares	Other
 	2023-08-09 00:00:00	User: research (Lock)	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%

However, due to the system's prioritisation of data from fund managers as the definitive source, any modifications we make no longer transmit to advisers when they formulate recommendations via WealthSolver.

Regarding the Advice Technology aspect, since this will have implications for multiple fund managers, we will escalate this matter with Iress to initiate a conversation with their FundData team. This dialogue aims to address and resolve the presented issue.