# Separately Managed Account

This guide has been written to provide SMA advisers with a resource that you can easily refer to when setting up your clients' portfolios. The aim of this document is to provide you with a summary of customisations and other important settings that you may use to manage your clients' investments.

## Creating a new SMA account

Before you can create a new SMA account:

• Ensure that you have read the PDS.
• Ensure that you have registered and have a User ID and Password. If not, call the Client Services Team on 1800 571 881.
• Ensure that you have your client's details; such as name, telephone number, address and email.

The procedure for adding a new account contains eight input screens, if your service allows you to add margin lending details, or seven, if margin lending details cannot be added for your service.

The entire procedure for all investment types is described in detail in the application's online help (🌐).
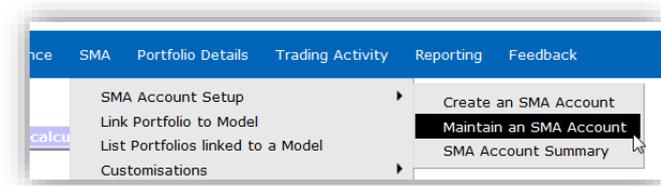
### Fee offset payment options

The **Fee offset** option is used to determine how your client has chosen to pay their account fees.

If you select a bank account for this option, fees will be deducted from your client's linked bank account.
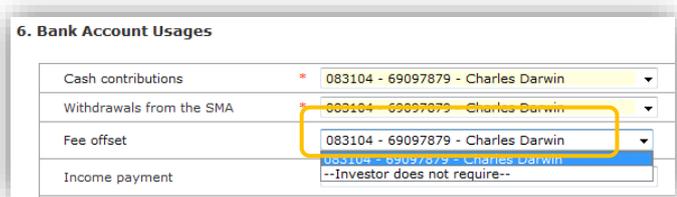
The option is accessed from the **Bank Account Usages** section of the **Maintain an SMA Account** screen (**SMA** > **SMA Account Setup**).

If you select **Investor does not require**, then fees will be deducted from your client's cash position within their personal portfolio. This may result in a sell down of securities to replenish cash.

### Income reinvestment

The **Income payment** option in the **Bank Account Usages** section is accessed from the **Maintain an SMA Account** screen (**SMA** > **SMA Account Setup**).
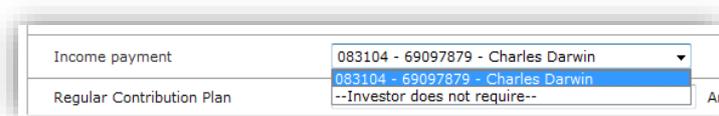
This option is used to determine whether income derived from investments is:

• reinvested according to the model(s) security and cash weightings, or
• paid into your client's nominated back account.

Income paid into an account is paid at the start of the month for income received in the previous month. For example, income received in May will be paid to the nominated bank account at the start of June.

## Linking portfolios to models

**To link an SMA account to a model:**

1 From the main **Portfolio List** screen, **Select** the account you wish to link to a model.
2 From the **SMA** menu, click **Link Portfolio to Model**.
3 Select the **Rebalance Type** from the drop-down list.
   This determines whether your model weightings are applied on a fixed or floating basis. Refer to 'Rebalance types' below.
4 Click **Add/Edit Links**.
5 Select each chosen model portfolio's Model ID from the drop-down list and enter its % Weighting (the % weightings must add up to 100%).
6 When finished, click **Save**.

### Rebalance types

Portfolios can be linked to models with a rebalance type of either:

• Fixed, or
• Floating.

**Fixed** means that the clients' personal portfolios will re-weight at every rebalance back to the original model portfolio weighting.

In this instance, contributions to the model will always match the percentage weightings of the underlying model portfolio, regardless of movements in price of its assets.

Note, this may cause more trades in the portfolio, subject to minimum trade size limits, as each portfolio may be different, based on when the portfolio subscribed to the model.

**Floating** means that the model portfolio weighting will float with the performance of the assets within the model.

In this instance, contributions to the model will always match the percentage weightings of the underlying model portfolio based

on current value, regardless of when they subscribed to the model.

## Contributions

Additional contributions are invested into the model or combination of models according to current weightings. The actual investment in securities will vary according to the security weights of the model(s) you clients are invested in and the amount of the contribution, subject to minimum trade size limits.

For example, if your client contributes an additional $1,000 and the subscribe 50% to two separate models, $495 will be invested in each model and $10 will be added to their cash position.

## Minimum trade size

Your clients may determine a minimum trade size. This means that securities in their personal portfolios will generally only be traded if the trade size is greater than or equal to the specified minimum trade size.

Minimum trade sizes are set using the **SMA** > **Customisation** menu.
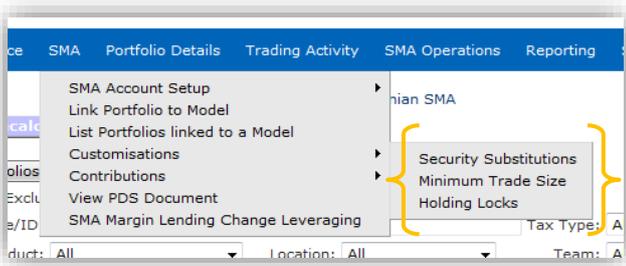


A minimum trade size is applied per security, per trade. If your PDS does not state a minimum trade size, and if you have not set a minimum trade size, the default size applies. For accounts under $50,000, the default is 0.2% of your client's account value per security, per trade. For accounts valued at $50,000 and above, the minimum trade size is $100 per security per trade. If you don't have a value for a field tolerance you must enter **0** (zero).

When determining a minimum trade size, your clients should carefully consider the following:

• The number of securities held in their personal portfolios.
• Additional contribution amounts to be made to their personal portfolios.
• The overall investment amount.

Setting a minimum trade size per security will generally ensure that trades (buys and sells) of a value less than the nominated account will not be executed.
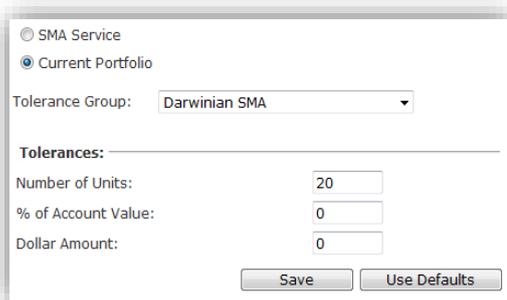


Setting a minimum trade size may also result in the performance of your clients' personal portfolios deviating from the performance of the model portfolio(s). A low minimum trade size will result in closer alignment with the model portfolio, but is also likely to increase the number of transactions in your clients' personal portfolios.

A minimum trade size of more than 1% of the account value may result in trades that have an adverse impact on your clients' personal portfolios; for example, personal portfolios may be overdrawn.

You can limit the minimum size of a trade by:

• the number of units
• a percentage of the account's value
• a fixed dollar amount.

### Number of units

An order will not be created for your clients' personal portfolios unless it is for at least the specified number of units.

> **For example:**
> Limit trade size to 20. That is, only trades of at least 20 units for each security will be executed.
> 20 BHP @ $34.20 = $684.00 investment in BHP
> 20 TLS @ $3.20 = $64.00 investment in TLS

### Percentage of account value

An order will not be created for your clients' personal portfolios unless the value is at least the specified percentage of the total value of the account.

> **For example:**
> 0.20% of $100,000 portfolio = $200
> That is, only trades of at least $200 for each security will be traded.
> 0.20% of $50,000 portfolio = $100
> That is, only trades of at least $100 for each security will be traded.

### Dollar amount

An order will not be created for your clients' personal portfolios unless its value is at least the specified dollar amount.

> **For example:**
> $200; that is, only trades of at least $200 for each security will be traded.

## Security substitution

Your clients' personal portfolios can be customised with security substitutions (**SMA** > **Customisations** > **Security Substitutions**), which allows them to avoid acquiring securities that they do not wish to hold, or already have sufficient exposure to outside of the SMA service.

You can:

• Substitute a security for another security

- Substitute a security for cash
- Reallocate a security.

## Security for security

In this instance, the model(s) target allocation for the excluded security will be added to the model's target allocation of the replacement security.

Trading of the replacement security will mirror the model manager's buy and sell decisions on the excluded security. This is in addition to any trading of the replacement security, if it is in any of the model(s) your clients' personal portfolios are subscribed to.

For example, RIO will trade in place of BHP if the following substitution is set:

| | | Excl. Security Code | Description | Repl. Security Code | Description |
|---|---|---|---|---|---|
| Edit | Delete | BHP | BHP BILLITON LIMITED FPO | RIO | RIO TINTO LIMITED FPO |

## Security for cash

The model(s) target allocation for the excluded security will be replaced with cash in your clients' personal portfolios. If your clients wish to use this substitution, enter AUDCASH in the replacement security field.

| | | Excl. Security Code | Description | Repl. Security Code | Description |
|---|---|---|---|---|---|
| Edit | Delete | BHP | BHP BILLITON LIMITED FPO | AUDCASH | MAIN CASH ACCOUNT |

In this instance, if the model specified 5% of holdings should be BHP, the 5% will be added to the portfolio as cash instead.

## Reallocate security

If the **Repl. Security Code** field is left blank, the excluded security will not be bought, and the model(s) target allocation for it will be pro-rated among the other securities and cash in the model.

| | | Excl. Security Code | Description | Repl. Security Code | Description |
|---|---|---|---|---|---|
| Edit | Delete | BHP | BHP BILLITON LIMITED FPO | | |

# Holding locks

Holding locks (**SMA** > **Customisations** > **Holding Locks**) enable you to retain a specified **minimum** quantity of a security in a client's personal portfolio.

| | Security Code | Description | Minimum Quantity to Retain (units) | | |
|---|---|---|---|---|---|
| Edit | RIO | RIO TINTO LIMITED FPO | 1000 | | Delete |

Setting a holding lock means:

- Holdings for a security will not be sold below the specified minimum quantity to be retained;
- A client's personal portfolio will only buy more of the security if the model(s) target allocation is greater than the client's holding of the security;
- Additional holdings above the specified minimum to be retained will be included in trading.

# More information

For further information or assistance with customisations of your client's personal portfolios, please refer to the application's online help ( ) contact our Client Services team on 1800 571 881 or support@praemium.com.au.

# Disclaimer