

Platform Analysis

Conducted by Investment Trends for
RaboPlus 17 June 2009



Introduction

- 1) Purpose of the Platform Analysis
- 2) Why Investment Trends?
- 3) Plans for the findings of the analysis

Research Objectives

- To gather comparative data on online managed funds platforms
- Focus on the access of wholesale managed funds as the most cost efficient means for DIY investors to access managed investments.
- The platforms selected for benchmarking are:

Accessible via financial planner	Direct access
BT Wrap	
Colonial First Choice	Colonial First Choice
Macquarie Wrap	
	CommSec
	E*Trade
	InvestSmart
	RaboPlus
	2020 Funds

Note: You can only access some of these providers via a financial planner.

Areas compared

Specific areas of comparison included in the analysis:

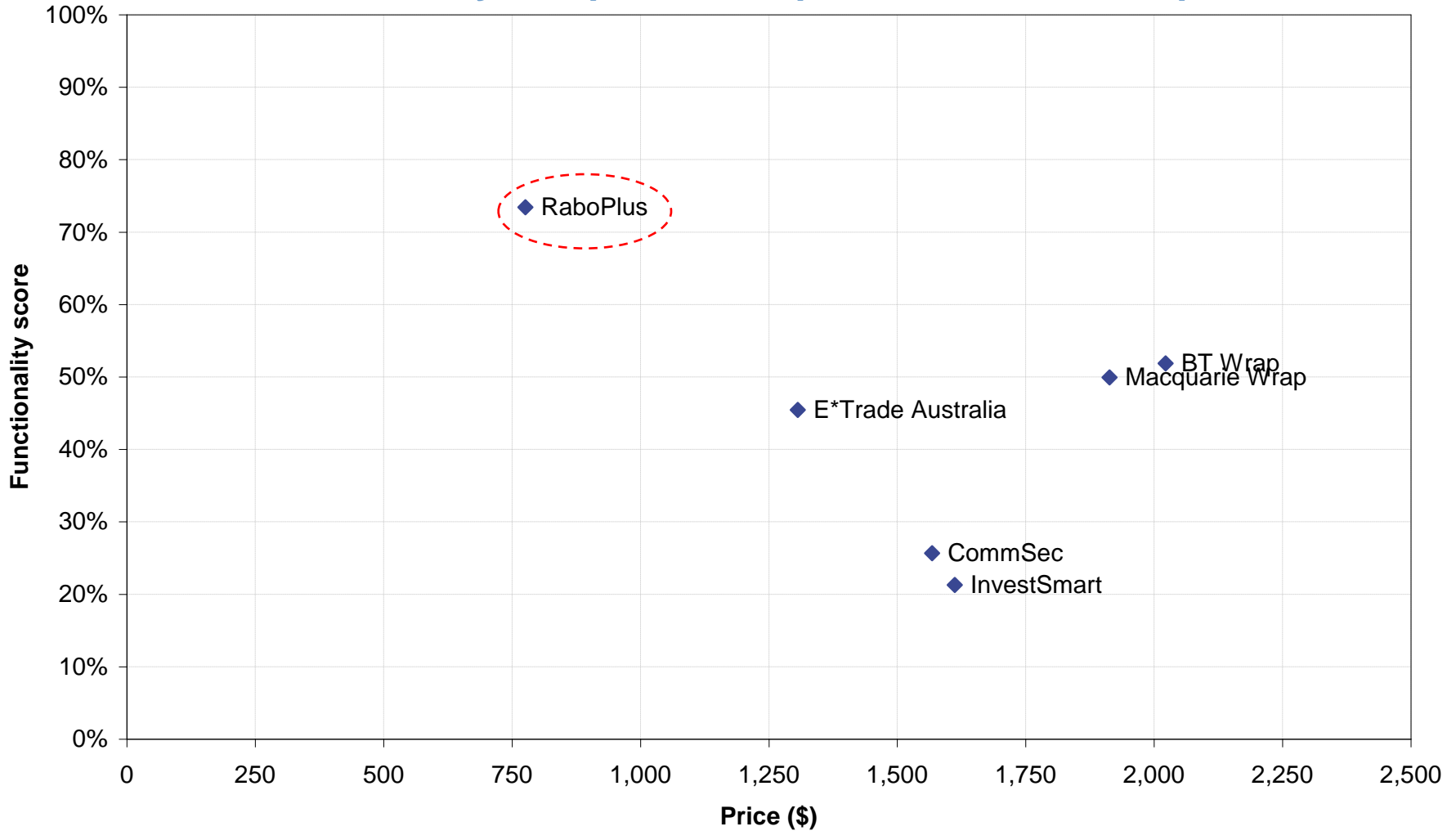
- Platform fee structures
 - we conducted a comparative review of ten (10) wholesale funds common to all platforms
- Barriers to entry – minimum investment comparison
- Platform administration (e.g. online application process)
- Online tools (e.g. calculators, research, and investor education resources)
- Online reporting (e.g. consolidated tax reporting)

Methodology

- 27 individual criteria were assessed for each platform and analysis was focused on the access DIY Investors have to wholesale managed funds.
 - These criteria were divided into three dimensions or categories for analysis.
 - In building a binary scoring framework, categories and individual data points were not weighted to reflect their relative importance as a comparative survey based on investor preferences regarding wholesale managed funds was not available
- The analysis was primarily conducted via online investigation utilising existing online access. Where necessary Investment Trends spoke directly with the selected platforms to confirm processes.
- In some cases, Investment Trends invested real money with the platforms to accurately capture functionality and processes when applying for new investments.
- The benchmarking of platforms is based solely on the DIY investor experience. Additional functionality available to a financial planner was excluded from the analysis.

Summary

Overall functionality compared with price for a balanced portfolio



Notes:

- 1. Functionality score is the aggregated score for each provider across the administration, reporting and tools and education categories
- 2. Price is the average fees charged over the first 5 years of an investment in a balanced model portfolio for an initial investment of \$100,000
- 3. FirstChoice and 2020Funds excluded from chart as price cannot be determined for these providers across the common funds selected



1. Fees - Assumptions

Assumptions we used for the fee analysis were:

RaboPlus:

- 0.75% up front brokerage

CommSec:

- No entry fee, trail paid outside of fund. MER is a reflection of admin and investment mgmt fee

E*Trade:

- No entry fee
- Portfolio fee (p.a.):
- <\$100k = Flat fee of 0.66%p.a.
- \$100k to \$500k = Fee of 0.66%p.a. for first \$100k and 0.55%p.a. on excess
- >\$500k = Fee of 0.66%p.a. for first \$100k, fee of 0.55% for next \$400k and 0.5% for amount over \$500k

InvestSmart:

- Most of the common funds offered by InvestSmart are retail funds (though not accessed via investment platforms such as Perpetual WealthFocus and Colonial FirstChoice)
- No Entry fee
- 50% of trail > \$300 will be rebated p.a.

FirstChoice Wholesale:

- No entry fee
- No trail commission

BT Wrap and Macquarie Wrap:

- MER = admin fee + inv mgmt fee + adviser fee of 0.80%p.a. – admin fee rebate and inv mgt fee rebate

Fees

Comparative fee analysis was based on 10 funds common to all platforms (except for Colonial Wholesale FirstChoice Investment who offered 2 out of the 10 common funds).

Funds by fund manager and asset class:

	Balanced	Fixed Interest	Property	Global shares	Australian shares
BlackRock	BlackRock Wholesale Balanced Fund	-	-	BlackRock Wsale Hedged Global Small Cap	-
BT Investment Mgmt	-	BT Wholesale Fixed Interest Fund	-	-	BT Wholesale Imputation Fund
Challenger	-	-	Challenger Wsale Property Securities Fund	-	Challenger Wsale Smaller Companies Fund
Colonial First State	-	-	-	CFS Wholesale Global Share Fund	-
Tyndall	-	-	-	-	Tyndall Australian Share Wholesale Portfolio
UBS	UBS Balanced Investment Fund	-	UBS Property Securities Fund	-	-

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Fees

Comparison of a \$50,000 investment to the 10 common funds for each platform per annum over the first 5 years:

Managed fund	Asset class	Cheapest provider	Average fee per annum over 5 years
BlackRock WS Balanced Fund	Balanced	RaboPlus	\$550
UBS Balanced Investment Fund	Balanced	InvestSmart	\$350
BT Wholesale - Fixed Interest Fund	Fixed Interest	RaboPlus	\$275
Challenger Wholesale Property Securities Fund	Property	CFS FirstChoice	\$450
UBS Property Securities Fund	Property	InvestSmart	\$425
BlackRock WS Hedged Global Small Cap	Global share	RaboPlus	\$725
CFS WS - WS Global Share Fund	Global share	CFS FirstChoice	\$600
BT Wholesale-Imputation Fund	Australian share	RaboPlus	\$515
Challenger Wholesale Smaller Companies Fund	Australian share	RaboPlus	\$550
Tyndall Australian Share Wholesale Portfolio	Australian share	RaboPlus	\$475

Fees - Key findings

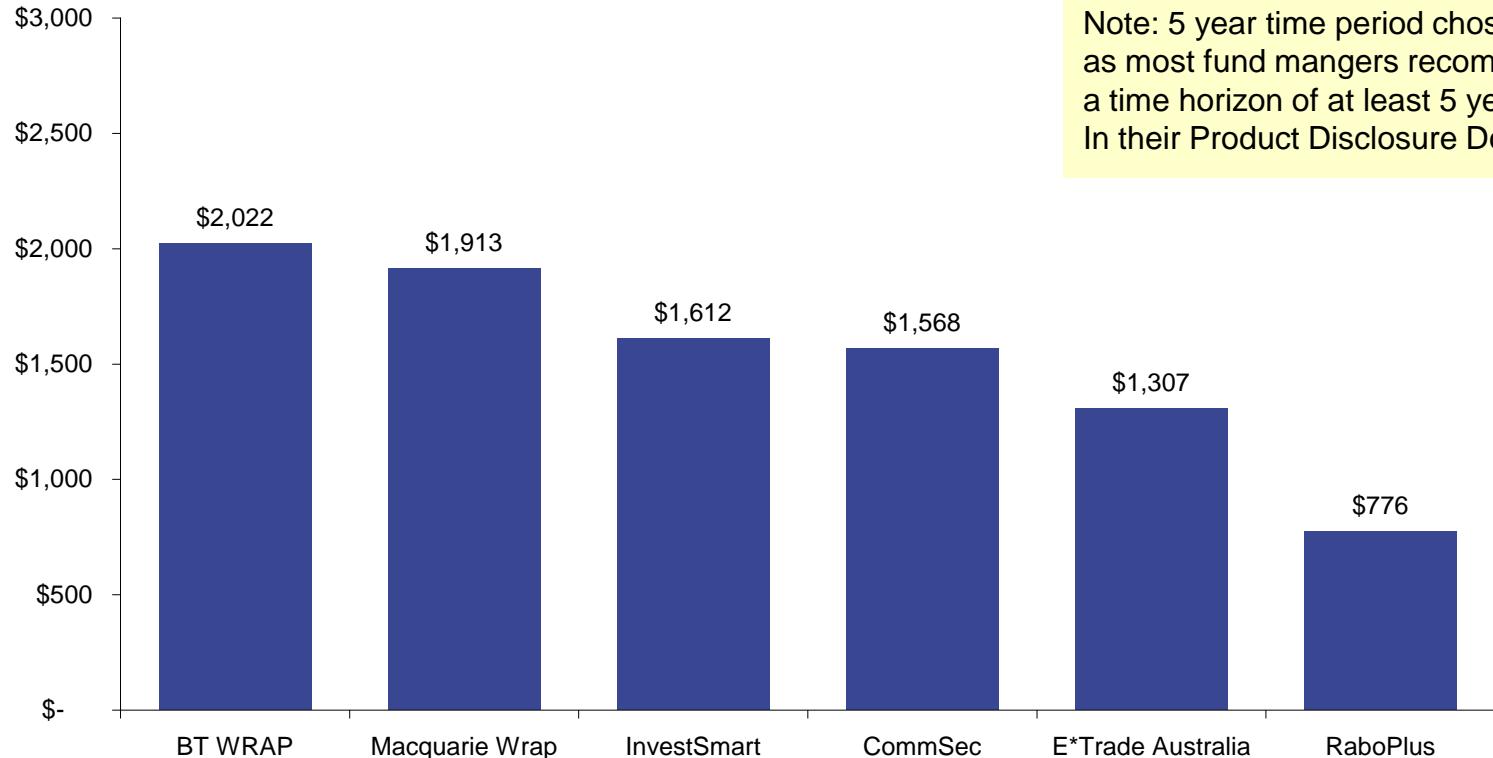
Fee analysis was based on a portfolio of \$50,000 - allowed comparison with platforms that require a minimum investment of \$50,000

1. Year 1 - RaboPlus was not the cheapest platform since they charge initial brokerage of 0.75%.
2. End of year 2 - RaboPlus was the cheapest platform for six out of the ten common funds. FirstChoice and InvestSmart were cheapest for the other four funds.
3. End of year 5 - RaboPlus also charged the lowest fees for six out of the ten common managed funds.
4. The cheapest platform for two common funds was Colonial FirstChoice Wholesale Investment (Note: we were unable to compare FirstChoice across the other common funds).
5. For the Wrap platforms, administration fee rebates offered were not activated until portfolios reached \$100,000 with larger administration rebates available for portfolios of \$500,000 or more.

Model Portfolio Fee Comparison over 5 years - Balanced

- Investors can pay up to 260% pa more in fees when investing in a Balanced portfolio via a Wrap and more than 200% p.a. via a discount broker.
- RaboPlus can save investors up to 62% pa compared to the most expensive platform

Average fees (p.a.) over 5 years
 \$100,000 balanced model portfolio



Note: 5 year time period chosen as most fund managers recommended a time horizon of at least 5 years in their Product Disclosure Documents

2. Minimum investment comparison

Minimum investment amounts vary significantly across platforms.

1. RaboPlus offered the lowest minimum investment (\$250) in comparison to all platforms and consistently for all managed funds on their investment menu
2. E*Trade had the next lowest minimum investments for each managed fund at \$1,000
3. CommSec and InvestSmart minimum investment amounts ranged from \$1,000 to \$20,000
4. The wrap platforms (BT Wrap and Macquarie Wrap) had the highest minimum investments (\$50,000)

Minimum investment comparison

	RaboPlus	CommSec	E*Trade Australia	InvestSmart	First Choice Wsale Investment (1)	BT WRAP(2)	Macquarie Wrap(3)
BT Wholesale - Fixed Interest Fund	\$ 250	\$ 5,000	\$ 1,000	\$ 5,000	n/a	\$ 50,000	\$50,000
CFS WS - WS Global Share Fund	\$ 250	\$ 5,000	\$ 1,000	\$ 5,000	\$ 5,000	\$ 50,000	\$50,000
Tyndall Australian Share Wholesale Portfolio	\$ 250	\$ 2,000	\$ 1,000	\$ 2,000	n/a	\$ 50,000	\$50,000
UBS Balanced Investment Fund	\$ 250	\$ 2,000	\$ 1,000	\$ 20,000	n/a	\$ 50,000	\$50,000
BlackRock WS Balanced Fund	\$ 250	\$ 1,000	\$ 1,000	\$ 1,000	n/a	\$ 50,000	\$50,000
BlackRock WS Hedged Global Small Cap	\$ 250	\$ 1,000	\$ 1,000	\$ 1,000	n/a	\$ 50,000	\$50,000
BT Wholesale-Imputation Fund	\$ 250	\$ 5,000	\$ 1,000	\$ 5,000	n/a	\$ 50,000	\$50,000
Challenger Wholesale Property Securities Fund	\$ 250	\$ 5,000	\$ 1,000	\$ 5,000	\$ 5,000	\$ 50,000	\$50,000
Challenger Wholesale Smaller Companies Fund	\$ 250	\$ 5,000	\$ 1,000	\$ 5,000	n/a	\$ 50,000	\$50,000
UBS Property Securities Fund	\$ 250	\$ 20,000	\$ 1,000	\$ 20,000	n/a	\$ 50,000	\$50,000

- (1) FirstChoice Wholesale Investment minimum investment per investor is \$100,000, minimum per fund is \$5,000
- (2) Require \$50,000 per investment fund (Lower minimum if investment is via BT Wrap Essentials)
- (3) Require \$50,000 to open an account (\$20,000 if set up with a regular investment plan), minimum per investment <\$50k is possible

3. Administration and transaction capabilities

	BT Wrap	Macquarie Wrap	CFS First Choice	Rabo Plus	Comm Sec	E*Trade	Invest Smart	2020 Direct Invest
Membership process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
New fund application	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional fund transaction	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Application turnaround time	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Funding of new funds	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integrated cash account	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
# of funding options	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Account types	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
CGT rules / options at time of sale	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Administration and transaction capabilities - Key findings

1. RaboPlus and E*Trade rated relatively stronger in transaction and administration capabilities
2. RaboPlus had the highest score in relation to competitors:
 - Existing RaboPlus members can apply for an initial and subsequent managed funds completely online and with no paperwork
 - RaboPlus funds the managed fund transaction immediately with the fund manager whereas other managed fund platforms will not fund the transaction on behalf of the investor – improves settlement and time out of market
 - RaboPlus offers two (2) CGT options when investors sell down units: First-in-first-out (FIFO) method and individual parcels
3. Colonial FirstChoice have the fastest application transaction turnaround times
4. InvestSmart, 2020 Direct Invest and CommSec were relatively weaker in most transaction capabilities as they do not offer custodial services
5. BT Wrap and Macquarie Wrap would have scored higher if transaction processes specifically for financial planners was captured

4. Online tools and education

	BT Wrap	Macquarie Wrap	CFS First Choice	Rabo Plus	Comm Sec	E*Trade	Invest Smart	2020 Direct Invest
Managed fund search								
Risk profile assessment								
Calculators								
Demonstrations								
Investment articles								
Education (seminars/webinars)								
Podcasts								
Email tips								
Investment blogs								
Help function								

Online tools and education - Key findings

1. The comparison of tools in this section specifically relate to investing in managed funds.
2. RaboPlus scored higher than competitors in this section.
3. RaboPlus were rated relatively stronger in managed fund online tool functionality because they provide:
 - Interactive online demonstrations
 - Context-sensitive help functions
 - Investment podcasts
 - Investor education section including webinars and interviews
 - Economic commentary
 - Newsletter
 - Investment blogs
4. The wrap platforms would have scored higher in this section if we included benchmarking of financial planner online tool functionality

5. Investor Reporting

	BT Wrap	Macquarie Wrap	CFS First Choice	Rabo Plus	Comm Sec	E*Trade	Invest Smart	2020 Direct Invest
Information based on actual portfolio								
Manager allocation								
Asset allocation								
Tax statements								
CGT reporting								
Account balance								
Transaction history								
Fund historical performance								

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Investor reporting - Key findings

1. FirstChoice had the most comprehensive range of reports for investors:
 - Investors can view their portfolio by asset allocation and by investment manager
 - They can also view fund historical performance and can specify the time-frame
2. The wrap platforms provided investors a thorough range of reports, and investor access to reporting is similar to financial planner access
3. RaboPlus provided consolidated tax and CGT reporting across multiple funds and individual funds, as did the wrap platforms
4. Macquarie Wrap and RaboPlus offered reporting of unrealised/realised gains and losses based on FIFO & individual parcels on the investors actual portfolio
5. CommSec, 2020 and InvestSmart rated relatively weaker in investor reporting and tax treatment as they do not offer custodial services

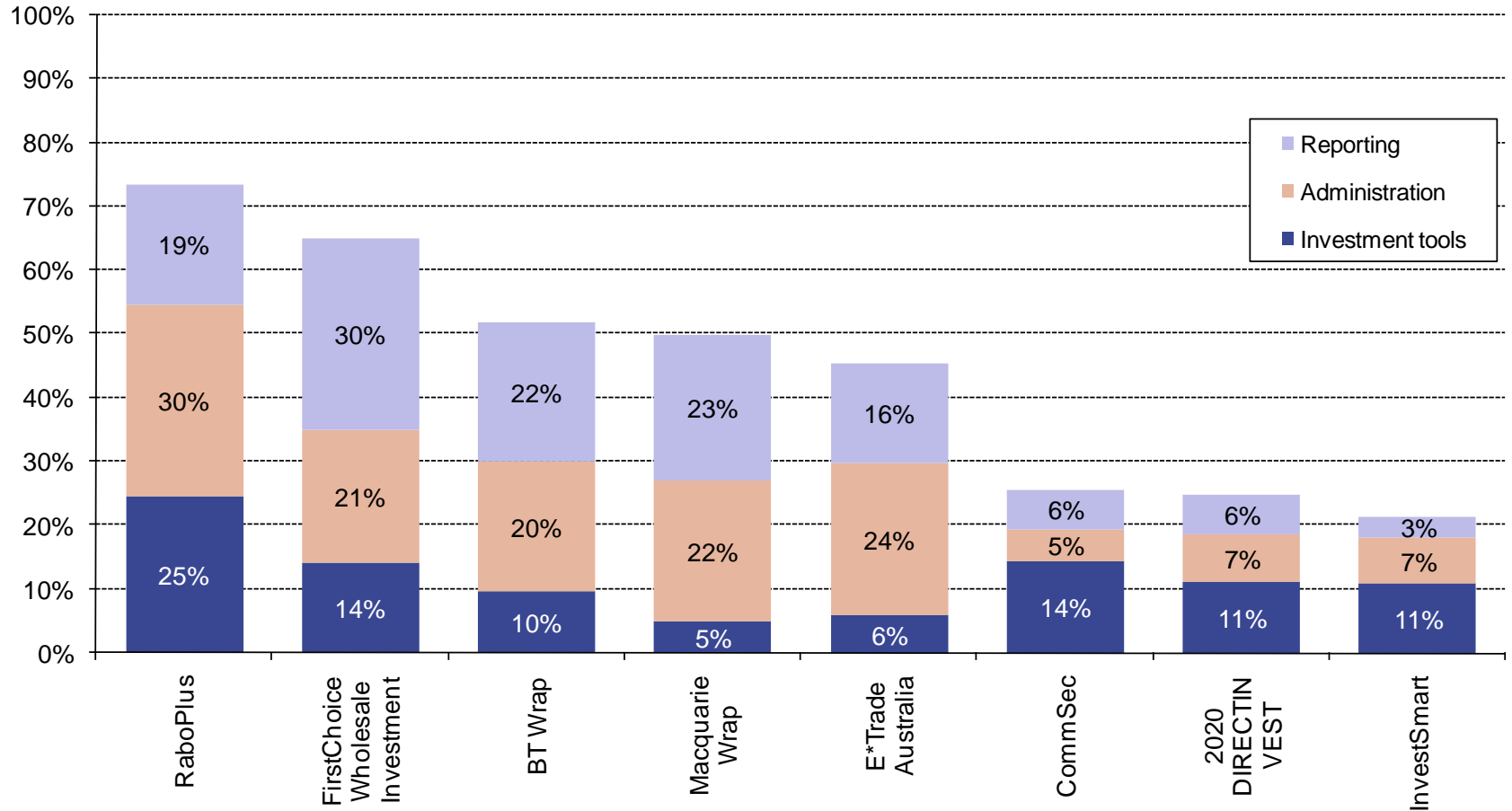
Summary

1. RaboPlus offered DIY investors the best overall online investment platform, beating the leading Wrap and Brokers.
 - Best Investment Tools – RaboPlus
 - Best Administration – RaboPlus
 - Best Reporting – Colonial First Choice Wholesale Investment Wrap
2. Fees (Balanced Portfolio comparison)
 - RaboPlus the cheapest platform over 5 years
 - Most expensive Wrap cost 260% more than RaboPlus
 - Most expensive Broker cost over 200% more than RaboPlus
3. RaboPlus has the lowest minimum investment into wholesale managed funds at just \$250, allowing investors to better diversify their portfolios
4. RaboPlus offers DIY investors the best administration capability.
 - Colonial First Choice offers fastest transaction turnaround times
5. RaboPlus offers DIY investors the best online tools and education resources.
6. Colonial First Choice offers DIY investors the most comprehensive reporting.

Appendix

Overview – Overall Score

Overall score

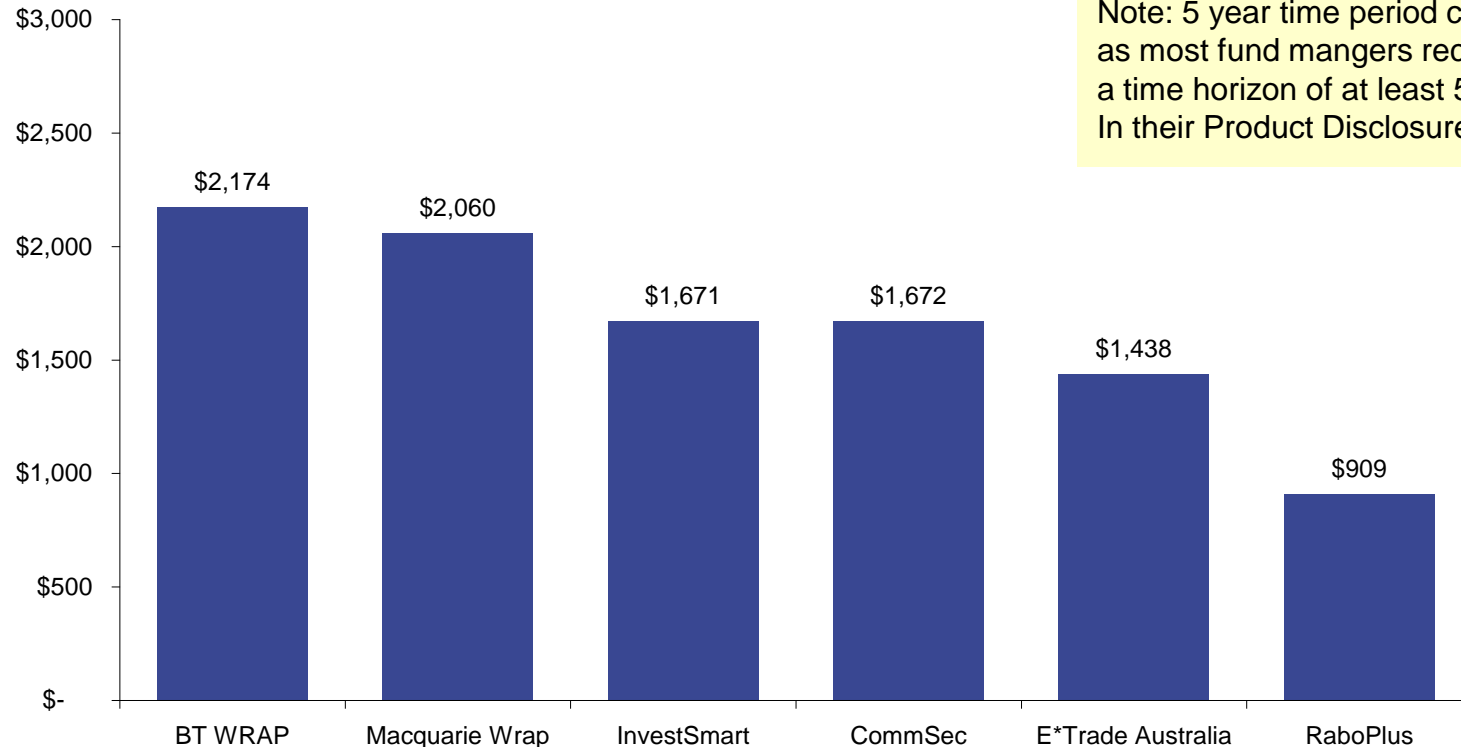


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1. Fees - Model Portfolio Fee Comparison - Growth

- Investors can pay up to 280% pa more in fees when investing in a Growth portfolio via a Wrap and more than 215% pa via a discount broker.
- RaboPlus can save investors up to 59% pa compared to the most expensive platform

Average fees (p.a.) over 5 years
\$100,000 growth model portfolio

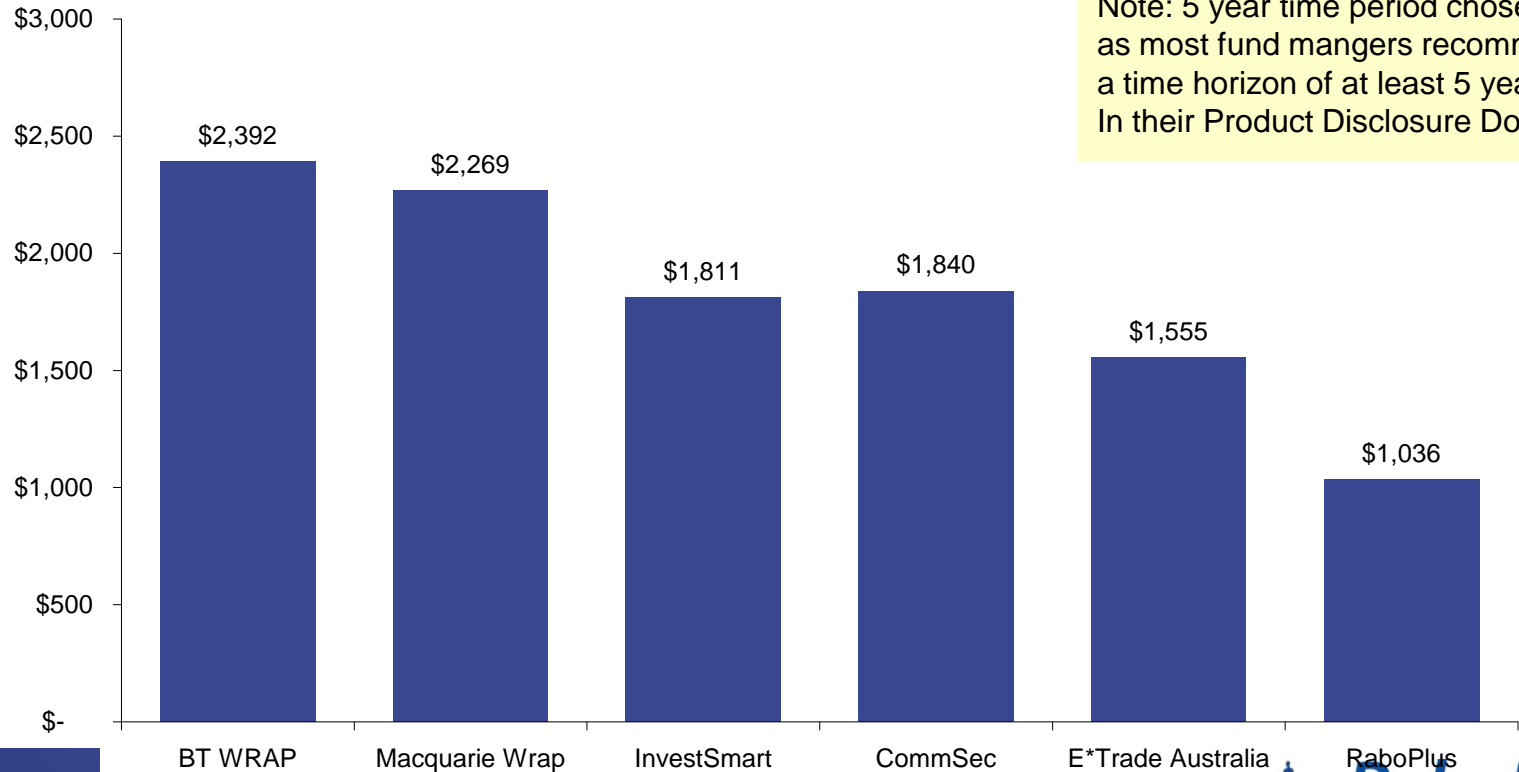


Note: 5 year time period chosen as most fund managers recommended a time horizon of at least 5 years in their Product Disclosure Documents

1. Fees - Model Portfolio Fee Comparison – High Growth

- Investors can pay up to more than 300% pa more in fees when investing in a High Growth portfolio via a Wrap and more than 235% pa via a discount broker.
- RaboPlus can save investors up to 57% pa compared to the most expensive platform

**Average fees (p.a.) over 5 years
\$100,000 aggressive model portfolio**



Note: 5 year time period chosen as most fund managers recommended a time horizon of at least 5 years In their Product Disclosure Documents

3. Administration and transaction capabilities

The platforms were benchmarked on the following range of transaction and administration capabilities using a binary scoring method:

	0	0.5	1	2
New membership process	Online followed by snail mail	-	Completely online process	-
Account types for membership setup	Individual only	-	Individual joint, trust, company	-
Initial managed fund application process	Paper based	Partially online	Completely online	-
Application turnaround time	No service level defined	T+3 settle & confirm	T+1 settle & confirm	
Additional managed fund transaction process	Paper based	Partially online	Completely online	-
Funding of new managed fund	Funded by investor	Funded by investor integrated cash account	Funded by provider	-
Integrated cash account	No	High interest or govt guarantee	High interest & govt guarantee available	-
Investor integrated cash account funding options	None	1, 2 options	3 options (e.g. Bpay)	
Number of CGT rules/options at time of redemption	Depends on fund mgr	-	FIFO	FIFO & individual parcels &/or min gain

4. Online tools and education

The platforms were benchmarked on the following range of online tools and education capabilities for investors:

Binary score	0	Partial score			1
Number of managed fund calculators	No calculators	1 calculator=0.2, 2 calculators=0.4, 3 calculators=0.6, 4 calculators=0.8			5 calculators
Risk profile assessment	No	-			Yes
Online demonstrations	None	Video playback=0.5			Interactive demo
Help function	None	Sparse info=0.25	TOC style info=0.5		Context-sensitive help
Investment tips via email	None	-			Yes
Managed fund search capabilities	None	2 parameters =0.25	4 parameters =0.5	6 parameters =0.75	8 parameters
Investment podcasts	None	-			Yes
Investment articles	None	General market commentary=0.5			Yes, in-depth
Investor education	None	TOC-style text-based "learn" information=0.5			Webinars & interviews
Investment blogs	None	-			Yes

5. Investor Reporting

The platforms were benchmarked on the following range of reports for investors:

Report	0	Partial score			1
Fund historical performance	No	-			Yes
Transaction history	No history	Transaction history summary=0.5			Detailed summary per fund
Account balance	No account balance	Based on investor manually entering portfolio=0.25			Yes
Unrealised/realised gains/losses	Not provided	Gains/losses based on manually entered details=0.25	Gains/losses based on FIFO & individual parcels on manually entered details=0.5	Gains/loss based on actual portfolio =0.75	Gains/losses on FIFO & individual parcels on actual portfolio
Tax statements	Not reported	Consolidated statement across multiple funds=0.5			Consolidated & individual
Asset allocation summary	No	-			Yes
Investment manager allocation summary	No	-			Yes
Portfolio input	Manually entered by investor	-			Automatically updated by provider