



# Introducing ipac

**AXA's multi-manager specialist**



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## AXA's multi-manager specialist

In August 2002, AXA Asia Pacific acquired ipac as part of the strategic vision to become an established player in the Australian wealth management and protection market. AXA recognised ipac's skill in managing multi-manager portfolios, and is now introducing that expertise into AXA's multi-manager portfolios by appointing ipac to the role of Portfolio Manager for those portfolios.

This important change is an opportunity for both you and AXA to build our funds inflow. The focus on efficient, more active portfolio management will deliver long-term results for clients. You will also see immediate improvements in the quality of reporting you receive, which will make it easier to sell AXA's range of multi-manager products.

Although ipac will become Portfolio Manager, AXA will retain control over key investment decisions and product design. AXA's existing investment committees will continue to operate and use external specialist consultants where appropriate.

### Who is ipac?

Established in 1983, ipac is an investment management and financial planning firm with more than 10 years' experience in multi-manager investing. ipac was the first in Australia to publish quality research on fund managers and one of the first to offer multi-manager investment portfolios. ipac is widely recognised for the quality of its financial planning advice (rated number one in a recent survey conducted by ASIC and the Australian Consumers Association), investment communications, and adviser business support.

Today, ipac manages approximately \$A 5 billion for retail and wholesale clients, and is one of the largest operators of multi-manager portfolios in Australia. ipac employs 30 professional investment staff dedicated to the management of investment portfolios, and its clients include some of Australia's largest superannuation funds and charities.

### ipac's role as portfolio manager

ipac will become portfolio manager for AXA's multi manager portfolios, including:

- Summit Select;
- Super Directions for Business;
- Super Directions Personal Super Plan;
- Retirement Directions;
- Tailored Super; and
- Simple Super.

As portfolio manager ipac is responsible for:

- selection and ongoing monitoring of fund managers;
- portfolio construction, including allocations to individual fund managers;
- setting investment guidelines for individual fund managers;
- managing cash flows, rebalancing portfolios and controlling costs;
- implementing fund manager changes;
- compliance monitoring and rectification of breaches; and
- investment reporting and other communications.

### Benefits for you and your clients

#### Clear accountability for outcomes

ipac will be fully accountable with a direct line of responsibility for all aspects of portfolio management.

#### Robust multi-manager investment process

Clients will be able to invest with confidence, knowing their investment is being managed according to a robust investment process based on years of experience in managing multi-manager portfolios.

#### Active portfolio management

You and your clients can have confidence that ipac will actively and continuously manage and review portfolios and change fund managers where necessary. This should improve the reliability of clients' investment outcomes over time.

#### Efficient implementation

Portfolios will be implemented efficiently and cost-effectively by a team of people dedicated to this task, minimising any performance leakage from your client's investments.

#### Enhanced investment reporting and communications

You will receive a suite of high quality investment reports, research papers and communications, all designed to keep you informed and up to date, and help you dealings with your clients.

## Implications for AXA's multi-manager portfolios

ipac seeks to improve investment outcomes through the disciplined application of an investment process that avoids emotion, superficial analysis and reactive decisions, and is instead grounded in thorough research and analysis, sound judgement and forward-looking strategies.

The portfolios managed by ipac on behalf of AXA clients will have the following key features:

### 1. Managed to strategic asset allocation

ipac does not 'guess' short-term market movements. Portfolios are managed to a long-term strategic asset allocation.

### 2. Well diversified

Portfolios are diversified across as many factors as practicable to reduce risk without sacrificing returns.

### 3. Focus on quality and value

Diversification across quality assets trading at prices that can be defended is a feature of the portfolios of funds managers selected by ipac.

### 4. Disciplined rebalancing

Disciplined re-balancing of portfolios to ensure they remain in line with target asset and manager allocations.

### 5. Active management

Active management is employed, where appropriate, to enhance returns without increasing risk.

### 6. Specialist, multi-manager approach

The best risk/return outcomes are likely to be achieved by a robust combination of fund managers with specialist skills in each asset class.

### 7. Direct ownership of securities via mandates

Securities are held directly via mandates, allowing greater control, flexibility and more efficient cash flow management. It also increases efficiencies when large-scale manager changes take place.

### 8. Fully invested

Fund managers remain as close to fully invested as possible.

### 9. Currency management

A partial passive currency hedge is employed to manage currency risks.

### 10. Efficient implementation

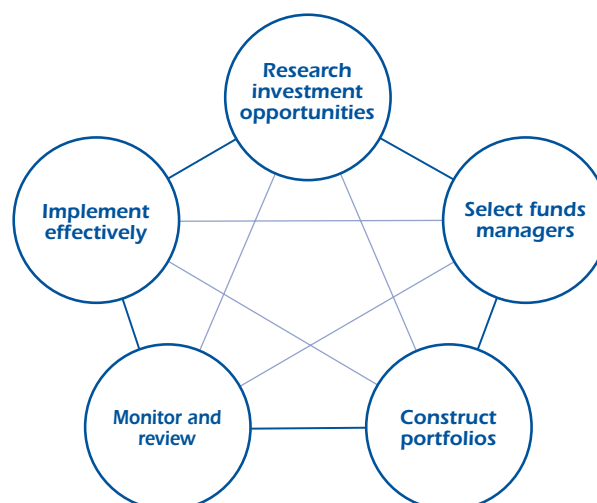
Thoughtful management of cash flows and costs.

### 11. Effective monitoring and review

Investment activities are routinely monitored and evaluated against measurable criteria.

## ipac's core investment activities

ipac focuses on the following core investment activities.



## Research Investment Opportunities

ipac's sector-specialist investment analysts undertake research to develop and maintain a thorough understanding of the nature of each asset class – the prevailing market conditions, key drivers of performance, primary sources of risk, and opportunities for active management to add value.

## Select Fund Managers

ipac's rigorous six-step elimination research process seeks to identify fund managers with a competitive edge. This process includes in-depth analysis and face to face meetings with short-listed managers, a due diligence process, and ultimately, the recommendation of a preferred fund manager.

Appointed fund managers are required to operate within the terms of a written set of investment guidelines that specify the performance objective, expected risk parameters, a list of authorised investments, and any limitations on holdings in a particular class of securities.

## Construct Portfolios

ipac aims at integrating the full range of investment issues, including performance objectives, risk parameters and costs, when constructing individual portfolios. Sophisticated analytical tools are used to model the expected investment outcomes associated with various asset and manager allocations, as well as to understand the biases within an aggregate portfolio.

The objective is to improve risk through diversification, reduce reliance on any single manager, add managers with complementary skill sets and reduce any unintended style or other structural biases in the portfolio.

## Monitor and Review

ipac's intense, ongoing monitoring cycle is designed to assess and form judgements about changes that may affect a fund manager's competitive edge or its role within the portfolio. It includes regular monitoring of individual manager portfolios, monthly reviews, and formal quarterly and annual reviews with the manager. Managers that have been placed "on watch" are even more intensively monitored until ipac's concerns are resolved, or the manager is terminated. ipac will act swiftly to replace a fund manager where necessary.

## Implement effectively

ipac places a great deal of emphasis on efficient portfolio implementation, and employs a team of experienced specialists dedicated to this task. They are responsible for managing cash flows, portfolio rebalancing, the early identification and rectification of breaches to investment guidelines, and changes to fund manager combinations.

## Making the most of this opportunity

AXA identified the benefits ipac could bring to our multi-manager portfolios. We have now translated these benefits into a significant improvement in the products you can offer your clients, so you can increase your funds inflow and build your business.

## For more information

If you would like more information about ipac and AXA's multi-manager portfolios, please contact your AXA Business Development Manager on 1800 644 644.



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### **Important information**

This publication has been prepared to provide advisers with general information only and is current at the date of publication. It is not intended to take the place of professional advice and no person should take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. Applications for investment in AXA Australia products will only be accepted on receipt of an application form accompanying a current disclosure document. Unless specifically stated, the repayment of capital or performance of our products is not guaranteed. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country.

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