

Comparison between SMAs and MDAs

Area	SMA - Separately Managed Account	MDA - Managed Discretionary Account
Structure	Is a Managed Investment Scheme (MIS) requiring a PDS and managed by the platform's SMA Responsible Entity.	Is a service managed by the MDA Operator, no PDS requirement. Note: MDAs are not subject to Platform RE's governance as is the case with SMAs. Client has contract with MDA Operator.
Investment approach	Operates through model portfolio(s), with investment decisions applied consistently across clients in each model. Operates under an Investment Committee (IC), members include Adviser, Investment Manager and Asset Consultant.	Also uses models, but MDA Operator can implement investment decisions for individual clients without seeking approval for each transaction, subject to the agreed investment program and limitations. Same IC structure as SMAs.
Time to market and level of customisation	Setup is constrained by the platform's timeframe, often taking many months to complete. Customisation based on selected models and the rules of the SMA structure.	Shorter time to market, typically weeks after MDA agreements executed with Dealer. Greater individual client-level flexibility, including tailoring individual positions rather than strict replication of a model.
Number of portfolios/models and minimum FUA constraints	Platforms apply limits on the number of portfolios typically 3-5 and require minimum FUA inflows normally over \$250m within 12-18 months.	Allows greater number of portfolios, some MDAs have 20+ models so special situations and custom models are catered for.
Client-specific exclusions	Typically limited to the parameters and functionality of the platform.	Specific securities can be excluded or overweighted/underweighted for an individual client beyond the standard model profile.
External holdings	Dependent on the SMA's prescribed structure and platform functionality.	Can report on external holdings, including direct shares and unlisted assets and include in SAA reports.
Direct equities	Dependent on whether the SMA model itself includes direct equities. Also some platforms don't enable investment in direct global equities.	Same as SMAs, specialist equities advisory service is included in the IC structure.
Specialist strategies	Requires a separate model/product to implement a different strategy so platform constraints will make this difficult.	Can quickly create specialist portfolios for tax, ETFs, ESG, thematic investing such as AI, income focus or tactical tilts.
Tax tailoring	Some tax benefits can arise from direct ownership of securities, but customisation depends on the SMA structure.	Particularly suited to client-specific tax requirements and tailored portfolio management.
Family office/complex clients	Provides managed-account efficiency, but customisation is constrained by the model/product structure.	Suitable for complex tax, family-office and multi-generational requirements.

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Discretion	Investment Manager manages the SMA models according to their mandate, client-level transaction direction is not available.	Same as SMAs, the Investment Manager makes investment decisions without client approval for each transaction, within agreed limitations.
Adding a new model	Adding another SMA model will involve product/platform processes, including restrictions on the number of models and implementation delays.	Easy to add additional models/strategies within the existing MDA framework.
Adviser already has SMAs in place wants to add MDAs or replace SMAs with MDAs	Existing structures can continue, subject to SMA/product requirements.	Existing Asset Consultant and Investment Committee structure can be retained. MDAs are added as an additional service, or replace SMAs.
Client advice/onboarding	Requires an SOA, once SMAs are on the platform's APL then normal process applies.	MDAs require a Client Contract with the MDA Operator and annual client approval of services is required.
MDA fees (excluding platform fees)	Fees include: Platform RE, Investment Manager, Asset Consultant.	Fees: MDA Operator, Investment Manager, Asset Consultant.
Scalability	Strong for delivering standardised investment models consistently across clients.	Fully scalable while providing greater customisation.
Best suited to	Clients needing a defined investment model where consistency and model-based implementation are priorities. Customisation not seen as a benefit.	Clients requiring greater personalisation, including HNW, complex tax, family-office, multi-generational or specialist investment requirements.

Contact us to discuss how you can establish your own Managed Accounts

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