

## Platform functionality and client growth as NZXWT retires OE legacy platform.

13<sup>th</sup> April 2023.

As we venture into Q2 2023, NZX Wealth Technologies (NZXWT) looks to reflect on our increased market engagement as well as growth in clients, both existing and new. In addition to this, we have released a raft of platform enhancements, and look to uncover what the next quarter has in its sights. Several key promotions and new hires within the team have played a role in this growth and development, which we will elaborate on below.

Before we get started however, we would like to note the sentiment that within the New Zealand wealth sector, consumer and investor confidence has been largely supported by the FMA reaching their 17th of March 2023 milestone for FAP Licensing. NZXWT's clients' lie within the 2,500 now Licensed Financial Adviser Providers, either holding a direct license, or operating as an authorised body.

In line with several other recent market commentaries, our engagement within the NZ market as of late has seen note of several larger players acquiring small to medium size wealth advisers, as well as consolidation and exit decisions by some adviser groups. Come June 2023 it will be interesting to see the total number of advisers operating under class 1, 2 & 3 licenses, as well as under an authorised body. It has been noted already that during the two-year transition to this new regime, we have seen a decline in adviser numbers to the tune of approximately 2,200 advisers. Will this continue to consolidate?

### Platform update:

As a part of NZXWT's ongoing efforts to stay up to date and enable our clients to leverage technology-based efficiencies, we are pleased to announce that our platform now offers a new fund management order execution process utilising Calastone API connectivity. NZXWT is the first provider in New Zealand to implement a Calastone connection via API.

The project was run by the NZXWT project office in conjunction with Calastone, with the solution being delivered and made available to our clients at the start of 2023.

Josh Kemp of Hobson Wealth says "The NZX Wealth Technologies API integration with Calastone has led to an operational efficiency gain for Hobson Wealth, removing the need to manually send & settle trade instructions with our Managed Fund providers."

Our Multi-Tenant clients and therein internal operations team at NZXWT also realise these same efficiencies as a result of the Calastone API. By automatically picking up authorised orders from advisers and placing them directly with fund registries, several key operational risks as well as overheads are significantly reduced, this directly benefits investors, giving them confidence that their trade instructions will be executed promptly.

In addition to the aforementioned platform enhancement, we have also released a number of significant functionality enhancements to the platform during the last quarter, as below.

#### Hedging with Forward FX:

- Clients are now able to define hedge ratios for all currencies loaded on platform and have the ability to enter forward FX positions to ensure that portfolios are sufficiently hedged.

#### Investment Mandates and compliance engine enhancements:

- NZXWT has extended the framework of our existing investment strategy/model portfolio and rebalancing functionality to the rules and mandates that govern portfolio construction and monitoring. With the continual transition towards responsible investing and other modern emerging investor preferences, we are pleased to now be able to consider binding portfolio rules such as ESG, industry

exclusions, index restrictions, credit ratings, country exposures, and duration to name a few. This additional layer of control over client portfolios has been well received by our clients and theirs respectively.

- In addition to this, our compliance engine now monitors and reports on investment strategies, mandates, and FX exposures on both a pre and post trade basis. This enables advisers to observe the comparative effects of any given trades, partial or full rebalances before they are authorised and sent to market, reducing the possibility of sub-optimal trades or the need for further trade adjustments against models, mandates, or FX exposures.

Reporting enhancements – Return metrics, benchmarks/indices, and asset class customisation:

- NZXWT performance reporting now supports IRR, as well as time and capital weighted returns. Further to this, we now offer the ability to relate individual portfolios and asset classes to benchmarks and indices, including blended benchmarks.
- On both the adviser and client portal, we are now able to custom configure asset classes as per each adviser groups preference. This means that clients can specify any particular assets that they would like to be reclassified, as well as what the asset classes will be called within their platform. This functionality will feed through to our reporting framework as well as the investment strategy construction and rebalancing tools.

We would also like to provide a high level summary of the platform functionality that we are looking to develop within the next quarter. First up, we will be building out some innovative functionality to support a defined benefit/life scheme which includes member registry services as well as the ability to run the schemes actual investment portfolio that the members own a portion of. In the reporting space, we will be providing advisers with the ability to include personalised portfolio commentaries within each of their client reports. This will be available as an add in across all reporting modules on platform. Our development team will also be making a series of enhancements to our current term deposit, corporate actions, and client contract note framework and functionality.

## **Growth and FUA**

As of Sunday the 5th of March, we successfully transferred our last client, Public Trust (PT), off OE, our legacy wrap platform, and onto the NZXWT platform. This has opened the doors for their clients to a raft of new market leading functionality available through the NZXWT platform. A handful of these key features include investment models, support for recurring client deposits and withdrawals with automated spending and funding options, our sophisticated rebalancing and compliance monitoring engine, as well as a highly flexible and comprehensive reporting suite.

The data and client migration was processed seamlessly by the NZXWT team and PT over the weekend of the 4th & 5th of March, with no disruption to PT's business or operations. This was the third and final project tranche to migrate a total of 7 clients across to NZXWT from the OE platform. This has been a significant project for NZXWT, planned and executed over the last 18 months. NZXWT can now decommission OE, bringing an end to a platform that has supported NZ wealth managers since January 1992.

Lisa Turnbull, CEO, said "we are really proud of achieving this goal. Our project managers have worked closely with our internal specialists and our clients to ensure three successful transitions. We look forward to working with our clients to continually develop our platform, so it continues to meet their needs and enables them to grow their businesses. Changing to a single platform ensures we can optimise our client and custody operations."

"These projects can be complicated, with many moving parts. We have focused on our clients' needs and provided guidance and training on the new platform while ensuring client data is handled with due care and attention." Mark Oldridge, Head of Programme Management Office at NZXWT.

Mark Lawrence, Head of Custody from PT, said this was the culmination of a lot of great collaboration between our two businesses and ratified our choice in the right provider to support our clients into the future.

To follow this, after a productive 6 months of discussions, we are also pleased to announce that we have signed a new medium size wealth manager operating out of Auckland CBD. We have developed a unique data migration approach

for this client, and within this coming financial year we are anticipating a smooth transition of assets across to the NZXWT platform, complemented by a small amount of platform development that will see consolidated sub-portfolio tax reports available on platform. More details to come on this over the next quarter.

Over the past 12 months, our engagement with Wealth Managers in the New Zealand market has resulted in a steady stream of conversations around migrations to the NZXWT platform, and our pipeline is looking strong. We are pleased to have two new clients begin the onboarding process over the next 6 months and are quietly confident about the opportunities and new business yet to come. Our client service, platform functionality and openness, as well as competitive fees have all been noted as compelling reasons to undertake a shift in custody providers.

Our focus for the 2024 financial year remains on two things. Firstly, working with our existing and new clients to ensure platform development aligns with their needs, and enables growth. Secondly, we remain focused on growing our funds under administration by engaging in discussions with New Zealand Wealth Managers. By understanding the needs of our market, we aim to add value through the power of technology and share the benefits of our platform whilst working towards our five-year goal of over 50 billion in funds under administration.

#### **Key staff appointments:**

Commencing early November 2022, Jarrod McDonald has been appointed as NZXWT's new Business Development Manager. His goal is to grow the platform by engaging with wealth managers throughout NZ, working to develop solutions for the business issues which they face managing client portfolios.

Alongside this, Martin Cantell and Kelly Good have transitioned into their new roles as Chief Functional Architect and Head of Product, respectively. Cantell's role will focus on the long-term strategic functional and regulatory development of the platform. The role will also see Martin working as a solutions consultant, engaging with prospects alongside Jarrod. Good's role is to lead our team of functional consultants, who own and focus on scheduling and developing new functional elements for the platform. With Good's promotion, Michael Roughan has stepped into a new role as Solutions Architect. "Roughan's extensive knowledge of the NZXWT platform will be key as we build out functional ownership within the product team" says Head of Product, Kelly Good.

As of mid-February 2023, Sidney De Rebeiro has taken on the new role of BA Manager. With his experience and valuable contributions to projects within the business thus far, we are excited to see Sidney lead the BA team and collaborate with the broader technology team.

#### **Upcoming events:**

In the events and conference space, NZXWT is pleased to announce our support as a key sponsor of the SIFA 2023 Conference, to be held in Queenstown over the 24<sup>th</sup> – 25<sup>th</sup> of August 2023. Stephen Jonas and Jarrod McDonald will be attending, and we look forward to connecting with business owners and wealth managers from across the country to hear about their practices, share ideas and discuss current topics and sentiments across the industry.

We are in the early phases of planning our 2023 client/user forums, where we meet and hold a formal discussion forum around the future development and functionality of the NZXWT Platform. Dates are yet to be confirmed. We have had great feedback from these events in the past and believe they are and will continue to be key to keeping our finger on the pulse of the NZ Wealth management sector and allocating development resources in the most beneficial way possible.

Ends.