

SIAA monthly

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Is AI starting to pay its way?



Balancing
delivery with
change

The clock is already
ticking: Your CHES
Release 2 roadmap
starts now

What do you
mean private
credit?

SMA or MDA?
Why the question
matters more than
the answer

Super Snippets:
A positive
step forward

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Stockbrokers and Investment
Advisers Association

Building prosperity for Australian investors

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MESSAGE FROM THE CEO

The stockbroking and investment advice profession is entering a new era. Markets are more complex, technology is transforming industries, and Australia is entering one of the largest intergenerational wealth transfers in its history. The profession is uniquely positioned for this shift, and SIAA is actively exploring how it needs to evolve to support it.

Young Professionals – the future of the industry

The shape of Australian wealth has changed. It is more diverse across gender, age, cultural background and life experience than ever before.

A new generation of investors is seeking guidance from professionals who reflect their values and ambition. A new cohort of talent is looking for careers that combine pace, purpose and real-world impact, and this profession offers all three. The firms that move now will not simply keep pace with change. They will define what the profession becomes, who it serves and how it grows.

That starts with decisions that are already within reach. Expanding where talent is recruited from. Building career pathways that develop people rather than filter them out. Telling the story of this profession clearly, consistently and with confidence, in pitches, in hiring, in everyday conversations.

SIAA wants to play an active role in supporting the attraction, development and retention of Young Professionals to our industry. To help guide our approach, we have pulled together a Young Professionals working group of 8 talented individuals across our member firms to help us develop our Young Professionals proposition, consider how best to bring their thinking into our committees, identify how best to approach students in High Schools and Universities and what value adding initiatives would support their growth, development and connection. I look forward to sharing more with you as

this working group progresses their thinking.

DECA Conference

In June, I attended the Digital Economy Conference 2026 hosted by the Digital Economy Council of Australia, the national industry body representing business and professionals building Australia's digital infrastructure.

Held in Sydney, the event explored the infrastructure required to build a world leading digital economy and brought together leaders, regulators and innovators to discuss policy, investment, collaboration and the systems enabling Australia's digital future. This included deep dives into blockchain, digital assets, artificial intelligence, digital identity, open data, privacy, cyber security, quantum, connectivity, payments and smart infrastructure, technologies critical to a trusted and thriving digital economy.

Many of the discussions at this conference were identical to those had at the SIAA2026 Conference. Globally and now locally, digital infrastructure and assets are starting to converge with traditional markets and understanding both the potential implications and opportunities is critical to the future success of our industry. This is an area that SIAA will look to to build knowledge and capability and kick off further discussion through our Board and Committees.

AI in the wealth industry

Post the conference, I released *AI in the wealth industry: the outlook is that*



Maria Lykouras, CEO

advice is to become more human, not less, an article which drew on key themes and insights from the conference. The article explored how AI is likely to enhance, rather than replace, the role of advisers by improving productivity, strengthening governance, and enabling advisers to focus on the judgement, empathy and behavioural coaching that clients value most.

While AI brings huge promise as an enabler of productivity and scale, it remains a nascent technology with many firms still working through where it can be applied safely and efficiently. Delegates heard from a range of wealth operators – platforms, advisers and researchers – about how AI is creating new forms of operational and conduct risk that firms need to manage now.

The message was clear: to make meaningful gains from the use of AI, advice firms need to be laser-focused on governance and data. AI can only be as useful as the information it draws on. Poor data, fragmented systems and weak governance will limit the productivity upside. The firms that benefit most will be those that have organised their data, workflows, and adoption practices properly – treating data as core advice infrastructure, not a back-office issue.

This is an area that SIAA is thinking about and how it can best support our members on their approaches to AI in their firms.



COMMITTEE NEWS JULY 2026

Upcoming meetings of the Stockbrokers and Investment Advisers Association – Committees, Working Groups and Advisory Panels:

Compliance Committee, Thursday 9 July 2026

Chair: Melissa Nolan MSIAA, Ord Minnett

DTR Working Group, Tuesday 21 July 2026

Chair: Claire Keetley, Ord Minnett

Investment Committee, Wednesday 29 July 2026

Chair: Justan Kitchener MeSIAA, Morgan Stanley Wealth Management

Compliance Committee, Thursday 6 August 2026

Chair: Melissa Nolan MSIAA, Ord Minnett

ACTING FOR YOU

SIAA exists to represent our members and work in their interests. Below are the key issues we are currently working on

- ✓ Proposed CGT changes in the 2026 Federal budget
- ✓ Financial Adviser education standards
- ✓ Reform of the Compensation Scheme of Last Resort
- ✓ Delivering Better Financial Outcomes reforms
- ✓ Australia's evolving capital markets
- ✓ Regulatory simplification
- ✓ ASIC Industry Funding Model
- ✓ ASIC inquiry into ASX
- ✓ Market Integrity Rules
- ✓ ASX CHESS Replacement Project
- ✓ Wholesale investor tests
- ✓ Share sale fraud
- ✓ AFCA rules, operational guidelines and determinations
- ✓ TPB matters.

COMMITTEE SPOTLIGHT

Investment Advisers Committee



SIAA has a number of committees and working groups that meet regularly to connect with their peers and to provide the feedback that is the basis of all SIAA's submissions and policy positions that we take to government and regulators.

SIAA's Investment Advisers Committee, chaired by Frank Hegerty of Ord Minnett, meets quarterly and provides expert input to our submissions on topics relating to advice.

It has played a key role in responding to consultations on reform of the financial adviser education standard as well as DBFO.

It is also an important forum for discussion of issues that impact the provision of investment advice and the development of financial advisers.

A topic of regular discussion is how AI can be used in the provision of investment advice.

The Committee also takes a keen interest in the findings of the Financial Services and Credit panel. These decisions make useful case studies for adviser professional development and are a helpful indicator of the issues that ASIC is looking out for.

JAWG issues statement on Treasury consultations

The Joint Associations Working Group (JAWG) of which SIAA is a member, is a coalition of industry and professional bodies representing financial advisers, stockbrokers, accountants, superannuation trustees and investors with the goal of making advice more affordable and accessible for consumers. Its members include Chartered Accountants Australia and New Zealand, CPA Australia, Financial Advice Association of Australia, The Advisers Association, Financial Services Council and the Self Managed Super Fund Association.

While JAWG members have taken different individual positions on certain proposals contained in the Treasury consultation package responding to the Shield and First Guardian fund collapses, there are various issues on which all members agree. Accordingly, JAWG has issued a statement drawing Treasury's attention to its position on policy proposals that have consensus across its organisations.

Reform options to support the ongoing sustainability of the Compensation Scheme of Last Resort

The key issue on which JAWG members are in complete agreement and which is likely to bring the most meaningful reform to the Compensation Scheme of Last Resort is limiting compensation to capital losses only. It is not consistent with the concept of a scheme of last resort to compensate consumers for hypothetical investment returns, particularly where those amounts are ultimately funded by levy-paying entities that were not involved in the underlying misconduct.

JAWG also supports a number of other reforms including:

- enabling the scheme to deduct relevant offsets from compensation payments, including amounts recovered through external dispute resolution processes, insolvency proceedings, insurance arrangements and other sources of redress;

- expanding the scheme's subrogation and recovery rights to improve the prospects of funds being returned to the scheme, helping to reduce the burden ultimately borne by levy-paying entities; and
- Treasury further exploring mechanisms to improve the recovery of unpaid AFCA determinations within corporate groups and related entities.

Enhancing Consumer Protections in Superannuation

JAWG opposes the proposal to introduce mandatory waiting periods when changing superannuation funds. These measures would introduce significant friction, cost and operational complexity into the advice process while doing little to address the underlying causes of the harms identified in recent cases. Indeed, the lead AFCA determinations with respect to Shield and First Guardian show customers were often courted by lead generators over months, and therefore waiting periods would not necessarily have stopped the harm.

JAWG also strongly opposes the proposal to prohibit advice fee deductions for switching-related advice. Measures that effectively discourage advisers from providing switching-related advice risk undermining access to financial advice and limiting consumers' ability to receive professional guidance on one of their most significant financial assets. JAWG also raised concerns about potential negative impacts to member choice and competition under this proposal, both of which are important principles underpinning good consumer outcomes. The proposal would have the effect of reducing access to advice, especially for members who have the least ability to pay for it from non-superannuation savings. There is therefore a risk that members become 'stuck' in underperforming funds with poor service or they



act on unregulated 'advice' to switch to a different fund.

Curbing lead generation activity

JAWG is opposed to removing or restricting the existing exemption from the hawking prohibition where personal advice is provided.

Removing or restricting the exemption would introduce friction and legal uncertainty into legitimate advice conversations, potentially discouraging advisers from raising related issues that are relevant to a client's financial wellbeing. It will also increase compliance costs without addressing the root causes of the misconduct observed in Shield and First Guardian.

The failures observed in Shield and First Guardian were not the result of a deficiency in the personal advice exemption itself, but rather instances of non-compliance with existing legislative obligations, together with broader issues relating to supervision by the AFS licensee and regulatory enforcement. Removing or narrowing the exemption would be a disproportionate response that risks limiting access to legitimate financial advice while doing little to prevent the misconduct that Treasury is seeking to address.

JAWG has encouraged the Government to progress, as a matter of priority, those reform proposals that have attracted broad industry support across the consultation package.

The link to the JAWG statement is [here](#).

ASX proposes changes to its listing rules

Following backlash from shareholders of James Hardie about the dilutive impact of the transaction with The Azek Company, ASX consulted on proposed changes to its Listing Rules concerning shareholder approval requirements for listed company takeovers and mergers.

After considering the feedback received ASX is proposing various changes to its Listing Rules.

Change in admission category

ASX will amend its Listing Rules to require ASX Listed entities obtain shareholder approval before changing to an ASX Foreign Exempt Listing.

SIAA strongly supported this proposal given the impact the change of admission status can have on the voting and other rights of the company's shareholders as once admitted as a Foreign Exempt Listing, an entity is exempt from complying with most of ASX's Listing Rules and is governed primarily by the listing rules of its foreign exchange. ASX also agreed with SIAA that a rule requirement provides greater transparency and consistency of approach for the benefit of both listed entities and their security holders rather than including the details in ASX guidance.

The Listing Rules will require shareholder approval by ordinary resolution. ASX will retain a narrow exemption for qualifying NZ listed entities that recognises NZX Listing Rules are materially equivalent to the ASX Listing Rules.

Voluntary delistings

ASX will amend its Listing Rules to require listed entities obtain shareholder approval before voluntarily delisting. SIAA also supported this change. We pointed out that delisting can have a significant impact on the voting and other rights of the company's shareholders even where the company will continue to be listed on another exchange.

Shareholder approval by ordinary resolution will be required.



ASX will provide a carve-out for entities with readily tradeable securities on the foreign exchange in one or more of the following circumstances:

- The entity was first listed on a foreign exchange before being admitted to the ASX.
- The entity does not have a material Australian shareholder base.
- The entity is a Foreign Exempt Listing.

Large share-funded takeovers

ASX will apply limits to how much share-based consideration larger listed entities (S&P/ASX 300) can use in regulated transactions without first seeking shareholder approval. This is intended to reduce the risk of significant dilution, while allowing shareholders to approve alternative limits in advance in they choose.

SIAA did not support reducing the current limit on issues of securities without approval under exceptions 6 and 7 as we considered that it would restrict the ability of entities to undertake merger activities and make them less attractive.

There was broad industry support for reducing the current limit of securities without approval (under exceptions 6 and 7) while at the same time a large majority were concerned that reducing the limit would make it more difficult for listed bidders to conduct mergers and acquisitions.

ASX proposes the following changes to Listing Rule 7:

- A 25% cap will apply to entities in the S&P/ASX 300 index. Entities outside of this will retain the existing exceptions (subject to the current 100% reverse takeover restriction).
- A listed entity will have up to 12 months from the date of shareholder approval to issue the securities in connection with a regulated transaction.
- A listed entity may by its constitution or by ordinary resolution for up to three years, increase or decrease the 25% cap (not to exceed the 100% reverse takeover cap). This allows listed entities to obtain a standing or time-limited approval to execute strategic transactions without the requirement to disclose confidential or incomplete proposals or risk that the approval needs to be refreshed mid-transaction.

SIAA had argued for a carve out allowing entities to seek shareholder approval to issue capital that would provide them with flexibility to pursue merger opportunities. It is pleasing that the ASX proposals includes this provision.

Broader significant transactions framework

No changes are proposed to the broader framework for significant transactions. SIAA did not support changes to the Listing Rules to require security holder approval of transactions changing the nature or scale of an entity's activities.

Next steps

The ASX consultation period will conclude on 29 July 2026. Subject to consultation feedback and final approvals, ASX proposes that the amendments will take effect on 21 October 2026.

SIAA will provide feedback to the consultation.

SIAA raises concerns about government's proposed CGT changes

SIAA sent an open letter to the Senate Economics Legislation Committee raising concerns that the government's proposed capital gains tax changes will have significant unintended consequences for Australian investors and capital markets.

We cautioned that stakeholders are being given too short a time to respond to these significant changes to CGT and called on the government to split the CGT changes from the relevant Treasury bills to allow more time for considered, broad and meaningful consultation.

SIAA argued that Australia's tax settings should support long-term wealth creation for everyday Australians and a capital markets ecosystem that funds Australian businesses and drives economic growth and innovation. Our key concerns are that the proposed CGT

changes work against these objectives and will:

- Reduce investor confidence and participation in markets outside superannuation thereby cutting off an accessible path to long-term wealth creation for everyday Australians.
- Have a disproportionate impact on those with lower incomes such as women and younger investors who are investing their after-tax savings from a smaller base and will be subject to the 30% minimum capital gains tax.
- Increase complexity and cost for investors who will need professional advice to understand the tax they will have to pay on sales of their securities.
- Make it harder to attract patient capital into sectors such as biotech, technology and resources exploration,

which have historically relied heavily on retail investor support.

We are particularly concerned about the impact the CGT changes will have on younger Australians who have invested in shares and ETFs in an effort to build wealth and save for their first home.

Notwithstanding our call for the bills to be split, the Senate Economics Committee inquiry recommended that the Senate pass the bills in their current form.

Since the budget the government has announced changes to the provisions regarding small businesses and trusts and is consulting on proposed changes to CGT for investment in start-ups. We do not consider that these proposals will address our key concerns.

The link to SIAA's open letter is [here](#).

MEMBERS CAN VIEW SUBMISSIONS [HERE](#)

DTR Accreditation Built for market participants

SIAA's DTR Accreditation is designed for those working in, or moving into, a DTR role within a market participant.

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SCAM BRIEF

Through our committees and working groups we have become aware of the following current scam and fraud activity impacting Australian investors:

Investment scam involving Bitcoin ETFs transferred from CHESS to Issuer

- Investment scammers are engaging vulnerable and inexperienced investors and building rapport and confidence over time via social media and other means. Investors are then coaxed and/or pressured into purchasing Bitcoin ETFs often with repeated or persistent contact with promises of high returns.
- Once they purchase the Bitcoin ETF, investors are then instructed (and assisted) to convert the CHESS Sponsored Holding to an Issuer Sponsored Holding. Once the new SRN is available, the scammers then instruct (and assist) the investors to redeem the ETF to Bitcoin via the 'off-market redemption process' via the share registry redemption process. The investment scammers then take control of the cryptocurrency wallet and move the Bitcoin to other parties.
- Investors report being told that they will make 100% return on Bitcoin and receiving performance reports. They are unaware the Bitcoin has been stolen. Investors are being given instructions and scripts to read to banks and brokers to avoid triggering security checks and are



being coached to keep the investment confidential and avoid providing their bank or broker with details of the advice or the identity of the investment advisers (scammers).

Investment Scams involving illiquid/International stocks

- Investment scams promising large returns continue to evolve and appear on social media sites and WhatsApp Groups impersonating various reputable finance and media personalities and others.
- The complexity of the schemes is also evolving with 'Tiered' membership linked to monies invested. The investor is promised 'better' investment advice and returns the more they invest.
- Investors are encouraged to take out loans to invest if they do not have sufficient monies to be a Tier 1/Gold Tier client and coached to withdraw monies out of their

superannuation funds to invest. Investors are receiving scripts to avoid scrutiny and questioning.

- Attacks on specific stocks are targeted and co-ordinated via 'windows' and investors have to 'prove' how much they have invested to stay in the group.

SMS Alerts involving compromised customer accounts

- Customers are receiving texts informing them that their accounts have been compromised and to click on a link or call a number.
- Scammers operate the phone lines and advise the customer to move all their cash into a 'safe bank account' until they complete their investigation.
- The scammers provide the new bank account details to the customer and then the monies are swept out.

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Is AI starting to pay its way?

By Rob Crookston, Investment Strategist, Bell Potter Securities

The bear case on artificial intelligence has always rested on one question: when does all the spending actually pay off? For two years, the world's largest technology companies have been pouring capital into chips, power and data centres at a pace that invited comparison with the dot-com build-out. The first-quarter US reporting season offers the clearest answer yet, and it is not the one the sceptics were hoping for.

A reporting season with few weak spots

With more than two-thirds of the S&P 500 reported, 84 per cent of companies have beaten earnings estimates and 80 per cent have beaten on revenue, both comfortably above their five and ten-year averages. Year-on-year earnings growth has been revised up

to 27.1 per cent, the sixth consecutive quarter of double-digit expansion. Revenue growth of 11.1 per cent is the strongest reading since the second quarter of 2022.

More striking is what is happening to forward estimates. Calendar 2026 earnings have been revised up 2.6 per cent since the end of March, the largest April upgrade in five years against a

twenty-year average first-month revision of minus 1.9 per cent. Estimates for 2027 point to roughly 17 per cent growth. Analysts have been raising numbers since the middle of last year, and the cycle is accelerating rather than fading.

That is happening with little help from the macro backdrop. The Hormuz oil shock is still working through global

inventories, headline inflation remains sticky, and central banks have been forced to shelve rate cuts. Earnings are climbing in spite of the weather, not because of it.

Concentrated, but not narrow

The familiar criticism is that the index is being carried by a handful of names. There is truth in it. The largest technology stocks are tracking around 61 per cent earnings growth this quarter against 16 per cent for the rest of the index, and four of the top five contributors to earnings growth come from that cohort. Strip the two biggest names out of Communication Services and growth collapses from 53 per cent to 9 per cent.



For now, though, the bottlenecks in power, chips and construction are real, demand continues to outstrip supply, and the numbers are moving in the right direction. The return on AI is no longer purely a matter of faith.

Yet 16 per cent for everyone else is hardly pedestrian, and the participation is broad. Nine of eleven sectors are growing earnings, all eleven are growing revenue, and seven are posting double-digit gains. Nine sectors have seen full-year upgrades. The giants are doing the heavy lifting, but the breadth beneath them is healthier than the headlines suggest.

The spending is being validated

Capital expenditure does sit at eye-watering levels, with close to US\$700 billion forecast from the four largest hyperscalers this year. The bear

argument, that this is unproductive spend at bubble valuations, is getting harder to sustain.

Demand is outrunning supply. Order books across the AI supply chain are filling faster than capacity can be added. Remaining performance obligations at Amazon, Google and Meta have grown more than 120 per cent over the past year and now sit above US\$1 trillion. The same dynamic is visible further up the chain among the picks-and-shovels providers: backlogs at power and infrastructure specialists are up roughly 100 to 110 per cent, and one of the large equipment makers reports a record order book some 79 per cent higher than a year ago. This is multi-year revenue visibility, the kind that lets earnings keep compounding regardless of the macro cycle.

The unit economics are improving too. Operating margins expanded across all three major cloud platforms as higher-margin cloud revenue grows as a share of the mix. At the index level, the blended net profit margin sits at 14.7 per cent, well above the five-year average of 12.3 per cent, and the gains are concentrated in the sectors most exposed to AI.

Meta as the cleanest test case

Among the giants, Meta offers perhaps the purest read on whether the build-out converts into profit. It does not sell cloud capacity to anyone; its compute is consumed entirely in-house for ad

targeting, ranking and productivity tools. There is no external customer to dress up the return. Either the spending pays for itself through the company's own profit and loss, or it does not pay at all.

This quarter it appears to be paying. Revenue accelerated to 33 per cent growth, with ad impressions up 19 per cent and average price per ad up 12 per cent, exactly the combination one would expect if AI-driven targeting were working. The market flinched at a lifted capex guide, but the company still generated meaningful free cash flow and guided operating income higher.

Risks worth watching

None of this makes the trade riskless. A breakthrough in model efficiency could undercut demand for the capacity being built, as a brief episode early last year demonstrated. The current leaders may not stay dominant. And the longer-term labour market effects of AI deployment remain an open question.

For now, though, the bottlenecks in power, chips and construction are real, demand continues to outstrip supply, and the numbers are moving in the right direction. The return on AI is no longer purely a matter of faith.

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Balancing delivery with change



Provided by ASX

ASX priorities in focus at the SIAA2026 Conference

The “Ask ASX” plenary session at the SIAA2026 Conference gave market participants a rare opportunity to hear directly from senior ASX leaders on the priorities, pressures and decisions shaping Australia’s financial markets. Against a backdrop of heightened regulatory scrutiny, the discussion centred on ASX’s broad transformation agenda.

In the session, outgoing CEO Helen Lofthouse and Andrew Jones, Acting Group Executive Securities and Payments, outlined how ASX is balancing immediate delivery with longer-term reform as it works to maintain confidence in its critical market infrastructure. Below are the seven focus areas for ASX.

Continuity during leadership transition

One of immediate areas of focus for ASX is maintaining continuity through the current leadership transition. Recent transformation efforts have focused on resetting strategy, investing more deeply in capability, and strengthening foundations across technology, risk and culture. At the same time, the findings of the recent ASIC inquiry continue to shape ASX’s agenda, particularly around pace of execution, accountability and engagement with stakeholders. With a new chief executive due to start later in the year, it’s essential to maintain momentum and keep the organisation focused on delivery and disciplined execution.

Responding to the ASIC Inquiry Panel

On 2 April 2026, ASIC published the Inquiry Panel’s Final Report into ASX. In response, ASX is progressing a comprehensive plan following the conclusion of the Inquiry as it moves to the next phase of its transformation.

ASX is committed to implementing its Commitments Plan, which includes strengthening governance and enhancing the independence of the clearing and settlement facilities, conducting a strategic reset of the Accelerate Program, uplifting leadership capability, and meeting the additional \$150 million capital charge imposed by ASIC. The reset of the Accelerate

Program is to be agreed with ASIC and the RBA by 30 June 2026.

The Final Report provides a critical assessment of where ASX has fallen short and highlights areas where further reform is required across governance, delivery and organisational culture.

The Final Report also acknowledged progress in a number of areas, including strengthened governance and independence of clearing and settlement facilities, changes to leadership and board composition, a reset of the Accelerate Program with improved risk management and regulatory engagement, and steps to build additional capital and resilience. The conclusion of the Inquiry represents a key turning point for ASX, with a focus on implementing the Commitments Plan and progressing the next phase of its transformation.

Competitiveness, listings and capital formation

The competitiveness of Australia's public markets and ASX's role in supporting capital formation also remain central. There is continuing strength in market activity and listings, even in volatile conditions. In the financial year-to-date, the number of new listings has increased approximately 50% on

FY25, while total capital raised has increased by approximately 35%. Looking ahead, the IPO pipeline remains deep and high quality, with nine \$1 billion+ companies expected to list through the remainder of 2026.

Strong cash and derivatives volumes point to the role exchanges play in helping customers manage risk, while the IPO pipeline and secondary raisings underline the relevance of public markets as a source of capital, liquidity and price discovery. ASX is continuing to invest in platform capability, refine market settings and ensure Australia remains an attractive venue for issuers and investors. Public markets are seen not only as a commercial proposition, but as a broader public good that supports growth, innovation and wealth creation across the economy.

CHES modernisation

The successful delivery of CHES Release 1 was an important milestone in the modernisation of post-trade infrastructure. It marks the start of a more modern, secure and resilient platform that can support future innovation across multiple applications. Over the next 12 months, ASX expects to build on that platform through initiatives including Trade Accept, a new customer

digital platform, the first implementation of new APIs and the replacement of the derivatives clearing platform. Work is also continuing on CHES Release 2, with a focus on simplification and innovation across settlements, ledger, corporate actions, payments and registries. The broader view is that modernisation must be carefully sequenced and developed in close partnership with industry, with resilience and usability built in from the outset.

Strengthening market confidence

Another focus is the steady refinement of market settings to ensure Australia's listed market remains efficient, trusted and globally competitive. That includes work to modernise listing rules, review shareholder approval requirements for mergers and acquisitions, and refresh the Corporate Governance Principles so they are more practical and relevant to today's operating environment. Reform should reduce unnecessary friction while preserving strong protections for shareholders and market integrity. Pricing transparency in clearing and settlement also sits within this wider confidence agenda, with emphasis on published policy settings, clearer links between costs and service outcomes,



Andrew Jones, Acting Group Executive Securities and Payments, ASX, Helen Lofthouse, CEO, ASX and Maria Lykouras, CEO, SIAA

and accountability to customers and regulators. Together, these reforms strengthen trust in Australia's market architecture while making it more responsive to change.

Creating the exchange of the future

Beyond CHES itself, there is a broader question about how market infrastructure will continue to evolve. Global developments such as faster settlement cycles, extended trading models, tokenisation, digital currencies and more dynamic risk management are shaping how exchanges think about the future. ASX's approach is measured, exploring which of these developments can genuinely improve efficiency, resilience and confidence in an Australian context while recognising the need to work within existing market structures and regulatory expectations. For ASX, infrastructure reform is about identifying

where those technologies can deliver tangible benefits to customers and the broader market without compromising trust, stability or oversight.

Balancing delivery with long-term reform

Across all of these issues, the clearest message is that ASX is balancing long-term reform with immediate delivery. Whether the focus is CHES, governance, competition, listings settings or future infrastructure, the emphasis

is on disciplined execution, stronger engagement and restoring confidence through action. Rather than relying on any single initiative as a silver bullet, ASX is pursuing a broad program of interrelated work to make market infrastructure more resilient, markets more competitive and regulatory relationships more constructive. The result is a clear picture of ASX's next phase: continuing to modernise, listening closely to stakeholders and delivering reforms that support both market integrity and future growth.



Across all of these issues, the clearest message is that ASX is balancing long-term reform with immediate delivery.

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Trust is earned.



THE CLOCK IS ALREADY TICKING: Your CHES Release 2 roadmap starts now



By Gaurav Mehta, Chief Commercial Officer, NOVA CMX

Release 1 of the CHES replacement went live in April 2026. There was relief, a few celebratory drinks, and perhaps some hope that the hard part was finally behind us.

Not quite.

Release 2 – the one that fundamentally rewires settlement and sub-register operations, is targeted for 2029. Three years sounds generous. In infrastructure terms, it's barely enough time to order the coffee.

A proper programme involving ISO 20022 integration, workflow redesign, accreditation and testing can easily consume 18 to 24 months. Add budgeting, vendor decisions and internal approvals, and the time to start isn't 2028.

It's now.

This isn't just a settlement project

Release 2 replaces settlement and sub-register functionality, enhances corporate actions and further modernises clearing. On paper, that sounds manageable.

In practice, it touches almost everything.

ASX's proprietary EIS messages are disappearing, making way for ISO 20022 – the same standard used by major market infrastructures globally. This isn't a find-and-replace exercise. Reconciliation processes, exception management, reporting, corporate actions and network architecture all come under the spotlight.

By the end of 2026, all five Software Drop User Technical Documents will be available. If your teams haven't

started reviewing the first two drops covering accounts, holdings and settlement instructions, you're not disastrously late, but you're certainly no longer early.

And anyone who's lived through a market infrastructure project knows there's no prize for being fashionably late.

Pick your lane carefully

Release 2 offers four connectivity options, and the choice you make now will shape the next three years.

Ledger API (DAML/REST) is powerful but not for the faint-hearted. Suited to large brokers and custodians seeking real-time access and willing to undertake a major infrastructure programme.

AMQP Messaging provides a sen-



Start now and the spend is spread across several financial years. Wait until 2027 or 2028 and you'll be buying scarce expertise at premium prices alongside everyone else who suddenly discovered the deadline wasn't theoretical after all.

sible path for many brokers looking to evolve without reinventing themselves – a natural migration path for many mid-tier brokers.

SWIFT ISO 20022 naturally suits custodians already living in that world.

And then there's CHES UI – simple, low-complexity and perfectly reasonable for smaller firms. But if you're processing meaningful volumes, relying solely on a browser interface is a bit like towing a boat with a hatchback. Technically possible. Not ideal.

Meanwhile, BT Radianz, Telstra and Optus VPN connections are heading for retirement. ASX Net migration isn't something to leave for Future You to deal with.

Future you will not thank present you.

The three-year playbook

2026: Mobilise

Appoint an executive sponsor. Stand up a programme office. Decide on your connectivity strategy. Start ISO 20022 gap analysis and begin migrating to ASX Net.

Most importantly, clean up your registration data early. Data problems discovered in 2028 have a nasty habit of becoming board problems in 2029.

2027: Build

Integration, accreditation and process redesign become the main event.

The old Net Broker Obligation (NBO) model gives way to Novated Net Delivery Position (NNDP). Reconciliation processes change. Operations teams need retraining. Technology teams need patience. Everyone needs coffee.

This is where programmes either gather momentum or begin collecting PowerPoint slides.

2028: Test

Technical accreditation. CHES User Readiness and Operational Readiness certification must all be completed. Industry-wide testing is mandatory.

Cutover plans should be rehearsed. Rollback plans should exist. Client communication should be finalised.

Hope is not a testing strategy.

2029: Go live

There is one production cutover. No second attempt. No "undo" button.

The US T+1 migration showed what coordinated preparation can achieve. These projects reward discipline. They are considerably less forgiving of improvisation.

Starting late is expensive

Boutique firms taking the CHES UI path may spend between \$250,000 and \$750,000.

Mid-tier brokers adopting AMQP or SWIFT connectivity should expect programmes in the \$1 million to \$4 million range.

Large brokers and custodians should view Release 2 as a genuine infrastructure investment.

But timing matters more than absolute cost.

Start now and the spend is spread across several financial years. Wait until 2027 or 2028 and you'll be buying scarce expertise at premium prices alongside everyone else who suddenly discovered the deadline wasn't theoretical after all.

NOVA CMX's commitment

In June 2026, NOVA CMX received CHES Accreditation from ASX Settlement, confirming end-to-end message compatibility. But accreditation isn't the destination. It's simply the entry ticket. It reflects our long-term commitment to the Australian market.

For more than 30 years, we've been building post-trade infrastructure across ten countries and supporting 18+ Tier-1 institutions. Today, NOVA CMX already supports digital asset workflows, real-time settlement, fractional share trading, securities borrowing and lending (SBL), and real-time custody alongside traditional market operations. Our clients process over 55% of SGX daily volumes, 40% of HKEX flows and 27% of Bursa Malaysia trade values, while achieving average operational cost reductions of 34%.

Because post-trade isn't standing still, and neither are the markets.

This isn't a pitch for one platform over another. The reality is simpler. Whether you build, buy or partner, the firms that start now will sleep better in 2029.

The bottom line

CHES Release 2 is the biggest change to Australian post-trade infrastructure in decades.

The firms that begin preparing in 2026 will approach 2029 methodically.

The firms that treat it as a 2028 problem may discover that market infrastructure projects behave a lot like Sydney traffic.

Ignore them long enough, and eventually they become your entire day.

For the complete phase-by-phase roadmap, risk register and system impact assessment, download the NOVA CMX whitepaper, The CHES Release 2 Readiness Roadmap (June 2026).

One solution for the future of investing

Seamless connectivity.
Proven reliability.

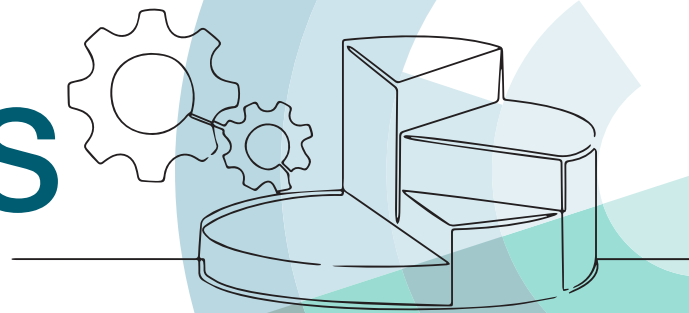
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- › Deep industry insight backed by trusted technology
- › Robust operational capability built for performance
- › Trade efficiently, manage risk and scale with certainty

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Legislated CPD: 1.0 Technical competence | Knowledge Area: 1.0 Generic knowledge



CAMERON ROBERTSON
Platinum

Unlocking opportunity in HNW advice

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The high-net-worth market is expanding rapidly as advice needs grow more complex. Denis will examine how leading firms are evolving beyond transactional broking toward scalable hybrid advice models that deliver more integrated advice while preserving the control and flexibility clients value.

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DENIS ORROCK
Praemium

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Wednesday 12 August from 1.00-2.00pm AET

This webinar provides a practical update on key superannuation issues affecting advisers, including contribution strategies, pensions, SMSFs, taxation, estate planning and recent regulatory developments. Attendees will gain insights to identify opportunities and risks, and support effective retirement and succession planning.

Legislated CPD: 1.0 Technical competence | Knowledge Area: 1.0 Specialist knowledge – Superannuation



RICHARD WEBB
CPA Australia

AI – the threats and the opportunities

Wednesday 26 August from 1.00-2.00pm AET

Artificial intelligence is reshaping financial services. Matthew Esler will explore practical applications across client engagement, research, productivity, compliance and operations, as well as key risks including privacy, cyber security, misinformation and regulatory expectations. Attendees will gain insights into adopting AI responsibly while improving outcomes.

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Recent FSCP decisions

Since the March edition of the newsletter there has been a spate of seven decisions from the Financial Services and Credit Panel. Four involved fees for no service and two involved insurance issues in super rollovers. The sanctions included reprimands and directions to undertake additional CPD.

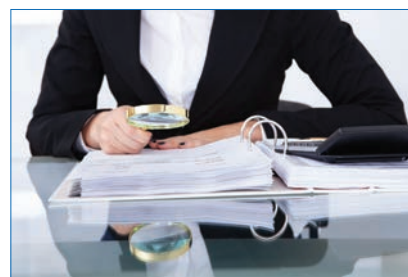
The most serious decision involved the provision of inappropriate advice to establish a self-managed superfund, make non concessional contributions to the self-managed superfund and make investments in certain unregistered managed investment schemes for wholesale investors.

The sitting panel believed that the financial adviser contravened sections 961B(1) (Best Interests Duty) and 961G (appropriate advice) of

the Corporations Act as they did not advise the client to make concessional contributions that were available, the wholesale funds were not appropriate given the client's circumstances and a self-managed superfund was not appropriate given the client's circumstances and the higher fees involved.

The panel also considered the adviser contravened section 961E (what would reasonably be regarded as in the best interests of the client) by failing to comply with Standard 5 (recommendations are appropriate to a client's individual circumstances) of the Code of Ethics.

The panel directed the adviser, at their own expense, to engage an independent compliance expert to audit 10 pieces of retail client advice prior



to the advice being provided. Once the audits had been completed the expert was to provide a compliance report to ASIC outlining the adviser's compliance as well as any recommendations to improve future compliance with financial services laws and their licensee's requirements.

The link to the Financial Services and Credit Panel outcomes register is [here](#).

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What do you mean private credit?

Quarterly Global Credit Solutions investor letter (Q1 2026)

By Frank Danieli, Managing Director, Head of Global Credit Solutions, MA Financial Group



In the Global Credit Solutions team at MA Financial, we often say the most interesting thing about private credit is that, when done properly, it *shouldn't be very interesting* at all.

Credit is the business of lending. It's about earning income while preserving capital, in the defensive part of your portfolio. The only conceptual difference in private credit is that investors should capture a premium compared to traditional fixed income, earned due to proprietary origination of opportunities and trading off some liquidity. As Chris Wyke, Joint CEO and Co-Founder of MA Financial, often says, "The best credit is boring credit."

And yet, during the first quarter of 2026, private credit is everywhere.

Headlines abound questioning whether the sector is over-exposed to software and technology borrowers at risk of disruption from AI, or whether defaults will escalate because of the economic disruption of the US/Iran War or sticky inflation, or waning consumer and business confidence, or because private equity firms won't be able to exit portfolio companies or execute refinances as the tide turns, or

whether a potential liquidity crunch for some types of US funds facing elevated redemptions will cause a credit crunch, or... the list goes on!

Tide out, swimming naked?

I've been travelling a bit lately, meeting with investors throughout Australia, Asia, Europe and North America. I do this regularly to have a good pulse on how our clients are seeing the world, while gathering distinctive insights into how borrowers, banks, institutional peers and credit market participants are behaving. Amid this quarter's discourse on private credit, it has been particularly thought-provoking.

One client, whose perceptive questions I always enjoy, paraphrased the timeless Warren Buffett quote to ask me: "Last year it was ASIC's regulatory review. This year it's AI and war in the Middle East. Now it's redemptions in

US BDCs. Are we finally going to see who's been swimming naked in private credit?"

My response to his question was: *What do you mean, 'private credit'?* and our discussion inspired this letter.

Fishing in a small pond

Globally, the term 'private credit' has come to be synonymous with 'sponsor-backed direct lending,' which means providing loans to help finance private equity buyouts of companies.

This is a perfectly legitimate activity. Good private equity firms are experts at identifying favourable industry dynamics, selecting target companies with genuine growth and/or business improvement opportunities, uplifting management and operational processes, and profitably exiting those companies (enabling debt to be refinanced). We participate in this asset class selectively (it's a 14% allocation

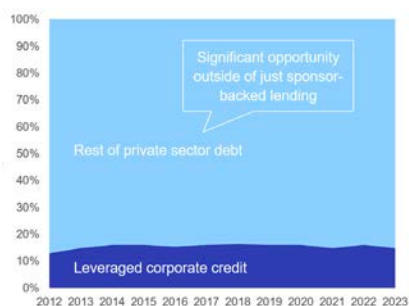
in our Credit Income fund suite, for example).

The opportunity for private credit emerged because it became less efficient for global banks to hold these loans on their balance sheets, while the publicly traded market for these loans (called the broadly syndicated leveraged loan market) could not always provide borrowers with the customisation or certainty of execution they needed.

So, what's the problem?

Leveraged finance – the broad term for corporate debt that funds private equity buyouts – represents ~15% of the total private lending market.¹ Yet it represents 100% of many private credit managers' focus.

Figure 1: Private sector debt composition



This creates problematic incentives. If you are a monoline manager doing only sponsor-backed direct lending, what happens when the risk adjusted returns in that sector deteriorate due to natural market cycles?

There is not much incentive for a fund manager to call clients and return their capital. Managers are in the business of earning fees on assets under management.

Fishing in a small pond, the natural response is to compete harder to win deals. Particularly in very large deals, which present an opportunity for managers growing their capital base rapidly to deploy that capital – as some say colloquially, feed the beast – at gigantic scale.

This occurs in stages:

- **First, the manager trades off pricing** – so credit spreads compress. I wrote about this in my Q4 2025 investor letter, [The return on my money](#):

“What we are increasingly observing is not a disregard for downside, but weaker pricing discipline. In some parts of the market, too much capital is chasing too few genuinely attractive lending opportunities. Yield compression is being

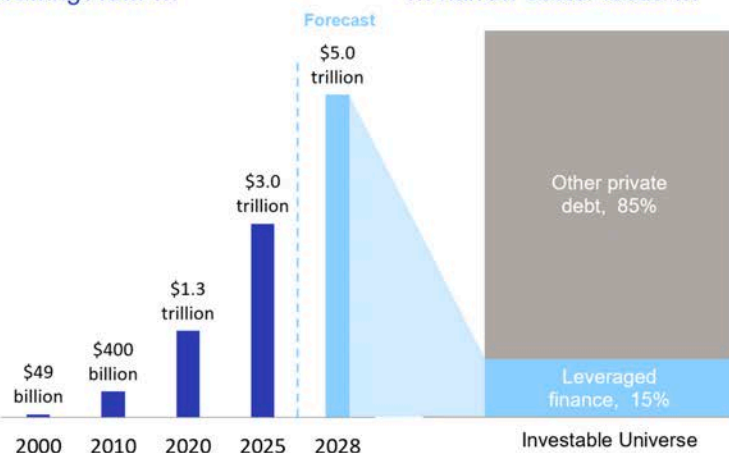
justified by the comfort that loans are [...] unlikely to result in principal loss.

[... We're concerned about] the prevalence of loans that quietly deliver inadequate compensation for the risks embedded within them, while tying up capital that could have been better deployed elsewhere.”

- **Second, the manager trades off terms** – so the quality of loan documents falls. This is why you see figures such as 85% covenant-lite portfolios (meaning, no financial covenants!) among some managers. In comparison, our flagship portfolios are ~90% financially covenanted loans.²
- **Thirdly, once pricing and terms have been competed away, the only trade-off to give is structural protections.** That means creditors give up the sacred rights of lending, such as the idea that for debt to lose, equity must first lose all its money. This is behind the rise of quirky behaviours such as Liability Management Exercises, or LMEs (meaning, equity can upend the capital structure in a downside scenario and strip assets away, at the expense of lenders).

Figure 2: Investable universe matters

Growing AUM¹...



... narrow sector focus²...

... trade-offs happen!

Private Debt Investor Pricing
Premium 'still there' as spreads decline

The private debt market does not want spreads of less than 500bps to become standard, delegates at the PCV DACH Forum in Munich heard.

Andy Thomson | 14 October 2025

Bloomberg Terms 85% Cov-Lite

Private Credit Drops Safeguard to Win Deals on Wall Street Terms

By Francesca Veronesi and Kat Hidalgo
January 15, 2026 at 6:15 AM EST

Structural Protections

Liability Management Exercises (LMEs): The "quiet default" that is reshaping credit markets LMEs!

By Austin Heines | October 21, 2025

1. MA Financial analysis. Progn, Jan 2020. Pitchbook, May 2025. Morgan Stanley, October 2025.
2. MA Financial estimates & analysis. FS Investments, Federal Reserve, Bloomberg.

As Charlie Munger put it, “Show me the incentives, I’ll show you the outcome.”

Would you invest with an equities manager that can only buy large-cap software or large-cap healthcare stocks? Of course not. Ironically, in equities, where the focus is growth through compound returns, concentration is less of a risk than in credit. In equities, an outsized compounding return in a few positions can offset dramatic downside in a handful of others. That is not the case in credit. There is no upside in each loan. As lenders, we are only entitled to our contractual income and return of our principal.

Perhaps the better question, then, is: would you put your cash deposits with a bank that only lent to one type of borrower in a few select industries? Absent a government guarantee, I’m sure the answer is a resounding, No! And so it is with private credit. We need broad, diversified portfolios of loans across different sectors that (ideally) have low correlation with each other. This is the key to resilient income and capital preservation.

The ‘we only lend to quality’ fallacy

What do you do as a monoline manager with a single strategy, if you only have a limited investable universe in

which (a) pricing is tight, (b) terms have loosened, and (c) structural protections have weakened?

The answer is usually: you lend only to quality. You look for borrowers where the risk of default is perceived to be low, because that can compensate for lower pricing, and you can justify not needing strong terms and robust structural protections.

It is this moral hazard dynamic which caused the over-allocation of some funds to software and technology sponsor-backed corporate borrowers. Think about the characteristics of a good software company:

- Provision of system of record, mission critical systems or services to customers;
- Recurring subscription-based revenues with historically high switching costs;
- Capital-light business models;
- High margins and organic cash flow generation;
- High valuations, meaning lenders at a sensible LTV have a good equity margin of safety below them.

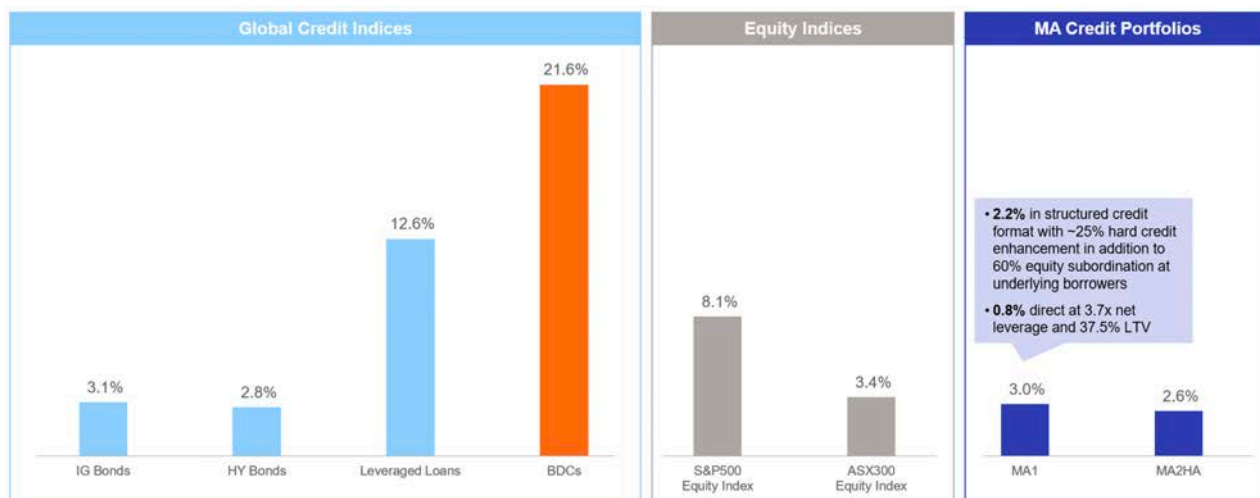
This is what led some “BDCs” (a certain type of US private credit fund) to have on average ~22% exposure to software and technology borrowers – a figure way in excess of other credit indices such as investment grade and high yield bonds, or the publicly traded leveraged loan market.³

While gravitating to quality sounds prudent, it actually isn’t if it results in over-concentration in your funds. As I wrote in [The only certainty is uncertainty](#) (Q2 2025):

This is more than superficial diversification. If we write a good loan, that doesn’t mean we should fill our portfolio with dozens or even hundreds of the same loan. In portfolio management, you can have too much of a good thing. We need to shape our portfolio so no one thing can create a catastrophic issue. We mitigate concentration not only to individual positions, but by insisting on broad exposure to different lending segments, borrower types, industry sectors, end markets, geographies and key performance drivers across our portfolio. We want a balanced portfolio with things that are correlated differently to each other and have different causal factors (positive or negative).

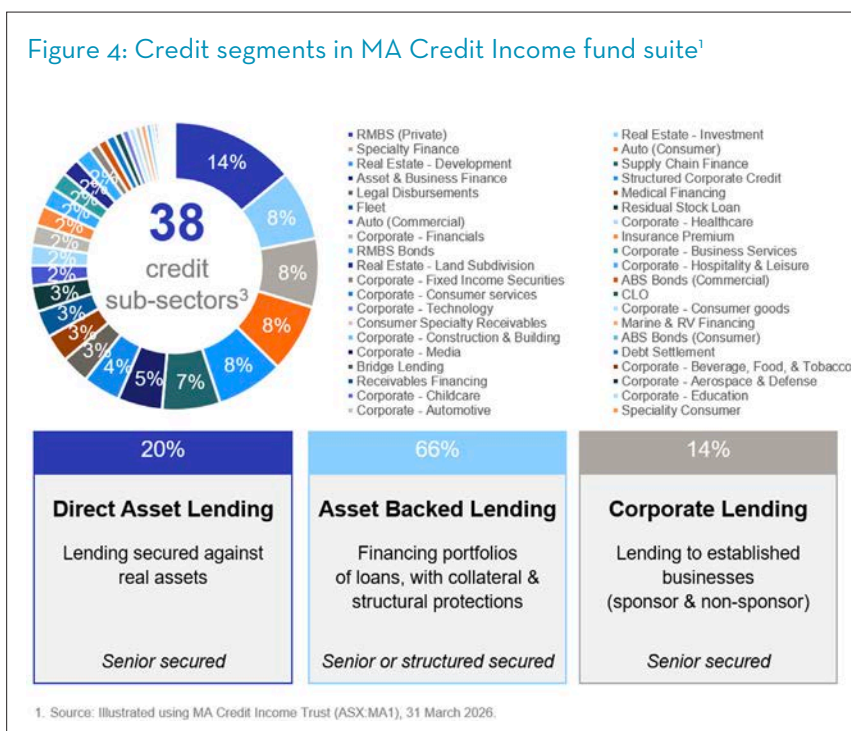
Too much of a good thing did happen to the BDC managers. AI-driven disruption fears triggered a repricing of SaaS credit risk (the so-called ‘SaaS-pocalypse’), with investors questioning whether ‘mission critical, system of record’ software businesses could be displaced by customer-built AI alternatives. Whatever the truth, it highlights

Figure 3: Software and technology exposure by asset class (% of index or portfolio)¹



1. Source: For Global Indices: Barclays – FICC Research, US Credit Alpha, 6 February 2026. For Asx Index: S&P, ASX300 Fact Sheet, 30 January 2026. MA Credit Portfolios based on MA Credit Income Trust and MA Credit Portfolio Trust as at 31 March 2026.

Figure 4: Credit segments in MA Credit Income fund suite¹



that in credit you need a combination of (1) rigorous investment selection, (2) empowered portfolio management, and (3) disciplined risk management, to successfully operate through different market structures and cycles.

The reason at MA we have ~3% exposure to software and technology borrowers, rather than 22% like the BDCs (or some other global managers as high as 40%!), is not that we had crystal-ball gazed the future of AI. It is because we have the ability to invest across the full spectrum of private credit. We can then empower our investment and portfolio management teams to adjust exposure to different lending segments depending upon the relative value dynamics of sub-sectors and individual loans.

With our now \$240 million co-invested by the firm and its staff in our private credit strategies along with our clients, maintaining this discipline is a core focus for us.

Redefining private credit

Private credit is a broad church. It is any lending that occurs outside a bank balance sheet or the public bond markets. It is a spectrum – from investment grade alternatives to sub-investment

grade alternatives, each providing a fixed-income replacement product for clients (with the trade-off of different liquidity profiles); to opportunistic and higher risk strategies, which seek to deliver equity-like returns through debt.

It's the open sea, not a single fishing spot.

The problem is most investors don't know which part of the sea their manager is fishing in – or with what equipment.

Two funds can both call themselves 'private credit,' target similar headline returns, and have almost nothing else in common.

One might be an unlevered, highly diversified portfolio of asset-backed facilities secured against real-world loans. It might include a broad cross section of global asset-backed lending across traditional and specialty verticals, corporate loans to a diversified cohort of borrowers spanning numerous industries at sensible leverage, with direct asset loans secured by physical assets of enduring value. The other might be a concentrated, levered book of sponsor-backed loans to software companies trading at 6x debt-to-EBITDA.

Same label. Completely different dynamics.

Not all private credit carries the same risk, the same liquidity profile, or the same role in a portfolio.

This is precisely why transparency and disclosure matter. Not as a compliance exercise, but as the mechanism by which investors can answer the most important question in allocating to private markets: what do I own, does it fit in my portfolio and am I being paid appropriately for it?

I would highly encourage investors to consider the quarterly disclosures in our publicly traded funds, MA1 and MA2HA, as well as similar disclosure for our unlisted managed funds, which demonstrate our commitment to transparency in an objective, informative and comprehensive manner.

What do you mean "private credit"?

What we mean by private credit is simple: a defensive, fixed income replacement product that generates a premium income return while preserving capital for our clients. That is what we have always meant by it – pursued across the breadth of private lending, not a single corner of it.

Our past quarterly investor letters and the associated podcast episodes are available on our website. Each covers the latest on our Global Credit Solutions fund suite, as well as thematic considerations about what matters in private credit.

¹ Based on MA Financial estimates, as well as FS Investments, Federal Reserve, Bloomberg data.

² Based on underlying portfolio of MA Credit Income fund suite as at 31 March 2026

³ Barclays research.

SMA or MDA?

Why the question matters more than the answer



Provided by Chelmer

For many advice businesses, the conversation about managed accounts eventually comes down to a single question: SMA or MDA? It is a reasonable place to start, but it is rarely the right place to stop. The more useful question is: what does our service model need to deliver, and for whom?

At Chelmer, we've spent over 30 years working alongside broking and wealth management firms across Asia-Pacific as they navigate exactly this kind of decision – supporting more than \$70 billion of investor assets under management across firms at every stage of the managed accounts journey. What our experience confirms is that the question is not simply “which structure?” It is “which operating model, for which clients, delivered how?”

This was the central theme of our recent 24 June webinar, *SMA vs MDA: Choosing the Smarter Managed Account Strategy*, which brought together Jacqueline Fernley, Founder of [arcpoint OCIO](#) and Andy Robertson, Chief Innovation Officer

at [Chelmer](#), moderated by Leanne Bradley, Co-CEO of [Suite2Go](#). This article distils the key insights from that discussion.

Two structures, two operating models

SMA and MDA are often discussed in the same breath but represent fundamentally different approaches to portfolio management.

SMA is product-based and platform-driven. Governed by a Responsible Entity, they are designed for scale, consistency, and efficiency. Portfolio management is typically outsourced to an asset consultant or OCIO

provider, and governance is externalised through the platform structure.

MDA is service-based and advice-driven. They provide discretionary authority to manage portfolios within client-specific mandates, enabling greater customisation and flexibility – but with it, greater governance responsibility. MDAs may internalise compliance and oversight requirements rather than externalising them through a Responsible Entity.

As Jacqueline Fernley puts it: “The SMA vs MDA question crosses my desk more than almost any other structural decision in advice right now. It’s rarely about which one is better – it’s about which fits your business,



Increasingly, firms are converging on a hybrid model: SMAs as the scalable core, MDAs as the bespoke offering for clients with more complex needs.

your clients, and the governance you're prepared to run behind it."

In simple terms: SMAs are infrastructure for scalable advice delivery. MDAs are infrastructure for personalised portfolio management. The choice between them is not binary; it is a question of how to design the operating model across both.

Matching the model to your practice

SMAs are typically the more accessible entry point: lower operational complexity, platform-driven automation, and the ability to outsource investment management. MDAs require more: stronger investment governance, compliance capability, and technology – but they enable a differentiated proposition that is difficult to replicate through simpler structures.

Andy Robertson frames the distinction clearly:

"The core distinction between SMAs and MDAs is product versus service. An SMA is a product – every client in the same product/model portfolio holds the same asset allocation. An MDA is a service – where each client arrangement may be unique, with individual constraints, preferences and mandates sitting beneath a shared framework. That distinction has real consequences for how a business operates, and for what the technology needs to support."

Increasingly, firms are converging on a hybrid model: SMAs as the scalable core, MDAs as the bespoke offering for clients with more complex needs. The challenge is designing that model coherently, so the two structures complement rather than duplicate each other.

Segmenting clients effectively

Many firms default to a simple wealth-tier split – mass affluent on SMAs, high-net-worth on MDAs. In practice, effective segmentation is more nuanced. Complexity of need, tax position, desired adviser involvement, and commercial viability all matter as much as client wealth.

The right structure is not just the one that best meets client needs – it is the one the firm can deliver profitably at scale. Aligning structure to service model is as important as aligning it to client complexity.

Technology: the operating system that makes it work

Without the right technology, the efficiency gains that managed accounts promise quickly become operational burdens.

SMA technology requirements are platform-centric: model portfolio management, automated rebalancing, bulk trading, and consolidated reporting. MDA requirements run deeper – client-level mandate management, compliance and audit tracking, discretionary decision workflows, and the ability to manage portfolio variations at scale.

The most important capability for firms running both structures is a single source of truth: aggregating data across clients, portfolios, and platforms into one unified view. This is particularly relevant for practices running SMAs across multiple platforms, where without an aggregation layer, getting a consolidated view of client portfolios becomes a significant operational challenge.

Chelmer's [Myriad platform](#) is built precisely for this: front-to-back automation across the full managed accounts

lifecycle, integrating with existing systems rather than replacing them.

The most common mistakes

Poorly designed SMA portfolios where off-the-shelf models are combined without regard for how exposures interact, undermine the portfolio construction logic that makes SMAs valuable. Tailored SMAs and MDAs built around deliberate building blocks consistently outperform ad hoc model combinations.

On the technology side, Andy Robertson points to a pattern Chelmer observes consistently across the industry:

"We see firms running MDA services on spreadsheets or platforms that simply weren't built for discretionary portfolio management. The operational debt accumulates quickly and quietly, and by the time scale makes the problem obvious, the cost of transitioning is far higher than it needed to be. The right technology investment isn't something to revisit once you've grown. It's the decision that determines whether the growth is achievable at all."

Getting the foundation right

The future operating model for most wealth businesses will involve both structures: SMAs for scalability, MDAs for customisation, with asset consultants providing investment capability and technology as the operational backbone. Getting the foundation right from the outset determines whether managed accounts deliver on their promise, or simply add complexity to an already demanding business.

For firms ready to explore what that foundation looks like in practice, visit chelmer.co/managed-accounts.

Chelmer is a specialist wealth technology company with over 30 years of experience, trusted by some of Asia-Pacific's leading broking and wealth management firms. Our Myriad software suite is purpose-built for the complexity of managed account operations – supporting SMA and MDA structures across the full advice lifecycle.

A positive step forward



By Darin Tyson-Chan, Editor, *selfmanagedsuper*

In my last column, I highlighted how the 2026 federal budget is going to make investing in the superannuation environment a lot more attractive given the much-criticised changes to the capital gains tax (CGT) rules will not apply to super funds.

To reiterate, the government decided the scrapping of the 50 per cent CGT discount will not apply to superannuation funds.

Nothing in the future is certain, but you would think this detail in the budget will certainly not cause superannuation outflows and indeed may result in larger sums of money being contributed into the retirement savings arena.

The little budget boost increases the onus on super funds to provide strong investment returns and impeccable services for their members, both now and into the future. And it looks as though Canberra has actually recognised this point.

It may be just a coincidence, but I don't really believe in them, but just days before the budget was handed down, Minister for Financial Services Daniel Mulino announced the annual superannuation performance test is going to be strengthened.

At the time, Mulino claimed the

move was being made to ensure the performance test was not discouraging investment opportunities due to the measurement criteria.

In his own words: "While the performance test has played an important role in improving outcomes for members, aspects of the current design may be discouraging investment in some sectors that could deliver strong, long term returns."

In another encouraging sign, he recognised strengthening of the superannuation performance test is to ensure it maintains pace with the evolution of the industry and provides better protection for consumers in the wake of the Shield and First Guardian master fund collapses.

In order to evaluate how significant the proposed changes to the performance test are, it is important to recognise how the regime currently operates.

In short, super funds are assessed against two yardsticks where the results

are combined to create a picture of overall performance. One gauges returns whereby a fund's net return over a rolling 10-year period is measured against the return of a hypothetical investment portfolio that imitates the product's strategic asset allocations using market indices.

The other provides a comparison of how competitive the fee structure of the fund is. Here a representative member with an account balance of \$50,000 is used and the fees and expenses they incur are compared against the median fees and expenses of a comparable group.

Now there are four proposals on the table aimed at making this process better.

The first offers up two components to allow the comparison to take into account less conventional asset classes. In order to do this, one suggestion is to create a new emerging covered asset class to consider investments that

existing market indices do not represent well.

The second suggestion would be to redefine what constitutes alternative investments in a portfolio whereby the weightings between equities and bonds could be adjusted, the applicable underlying indices could be altered and the range of assets considered to be alternatives broadened.

Proposal two is for the assessment of a fund's return be carried out against a hypothetical passive portfolio with a similar risk level. This would scrap the current methodology of using the strategic asset allocation of a benchmark portfolio as a means of comparison.

The third proposal consists of invoking a periodic reassessment of the existing measurement benchmarks to see whether they remain fit for purpose. The suggestion is for this review to occur potentially every three to five years with the evaluation to be performed by the government with the

support of a working group with the appropriate qualifications.

The final proposal involves the incorporation of more retirement savings products into the process. This option has largely arisen through the acknowledgement the current test is applicable for around 62 per cent of offerings in which member benefits are invested. Importantly, its goal is to capture external accumulation products and those servicing individuals in their retirement years.

To this end, it is estimated a further 7500 accumulation-phase products will be considered in the performance comparison. With regard to retirement interest offerings, it is recommended the Retirement Reporting Framework provide the groundwork for this amended aspect.

The proposed changes to the superannuation performance test were announced on 7 May and Treasury invited submissions from industry and

key stakeholders on the policy, with that process closing on 19 June.

So we can expect to find out what the results of this consultation period were and which proposed new model was most favoured, I'm assuming, in the latter half of the year.

And the government must know it can't drag its heels on this process, having already admitted it is being performed due to the rapidly evolving nature of the superannuation sector.

We can see though some serious thought has gone into this initiative, which is good, and hopefully it will result in a gauge of how the retirement savings of individuals are tracking that will become increasingly more meaningful.

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