Vertex
INVESTMENT SERVICES

WHITE PAPER · MID-MARKET ADVICE

VERTEX INVESTMENT SERVICES

The growth a mid-market advice firm is leaving on the table

Why the lever is the operating model, and why the part that stays with the firm is what makes it work.

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Growth, and the condition attached to it

Written for principals of mid-market advice firms and licensees, not retail investors. It makes the growth case for a discretionary managed-account operating model first, then sets out the condition that decides whether a firm captures that growth or gives it away.

01 IN BRIEF

The lever is the operating model

Most principals of mid-market advice firms want the same things: more clients, more revenue, a business worth more when they choose to step back.

When growth stalls, the usual response is to add. Hire another adviser. Buy another practice. Do more of what the firm already does. But adding people to an inefficient process produces more people running it inefficiently; and buying a second business before the first runs cleanly carries the first firm's problems into the second. **The lever that moves a mid-market firm is not the volume of activity. It is the operating model.**

Moving the investment function to a discretionary managed-account model takes portfolio construction and its administration off the adviser's desk. That frees capacity, and capacity is what an advice business converts into growth. One firm we work with, stagnant for three years, grew organically by 20 per cent in the year after it migrated, on the strength of advisers spending their time on clients rather than implementation.

The model is not new, and Vertex is not the only firm that offers it. What separates a firm that grows from one that does not is **how the model is adopted.** Adopt it as an off-the-shelf product and you trade away the philosophy you spent years building, and you assume a provider has taken on accountability that, in law, remains yours.

This paper sets out the growth case first, because that is what principals act on; then the condition, because that is what separates the firms that capture the growth from those that do not. The environment after the Shield and First Guardian collapses has made the cost of getting that condition wrong concrete. But governance here is not a compliance topic bolted to a growth pitch, it is the mechanism inside the growth.

+20%
Organic growth in one firm's first year after migrating to discretionary accounts

$292.9 b
Australian managed-account FUM at December 2025

6×+
FY27 advice levy versus the scheme's own cap

> The growth is real. The condition attached to it is the part of the model that stays with the firm.

02 THE CONDITIONS

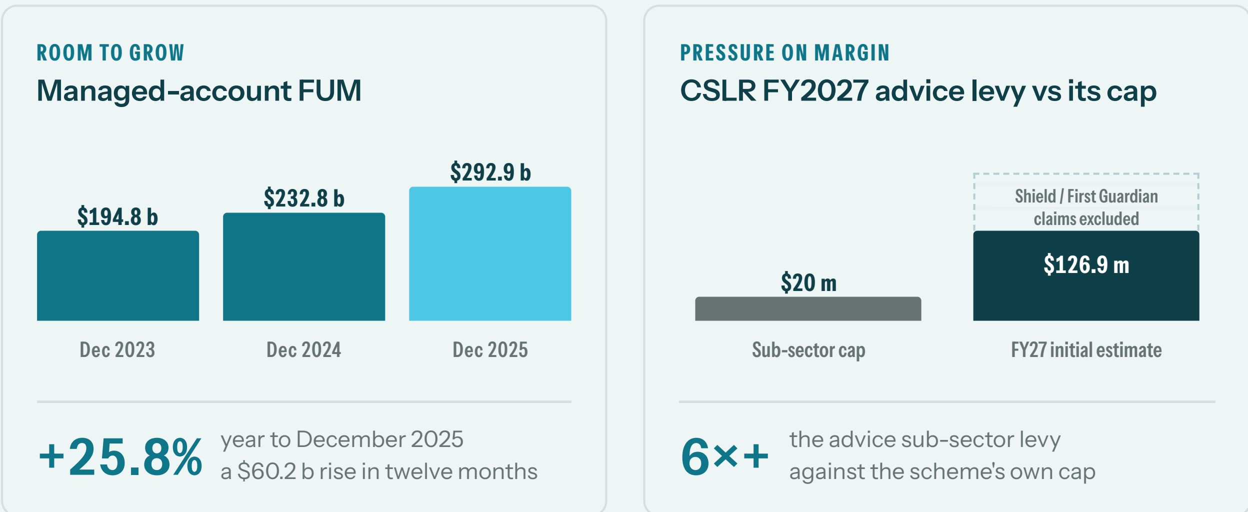
More room to grow, more pressure on margin

The conditions for growth are present. Money invested through managed accounts in Australia reached **$292.9 billion at the end of December 2025**, a $60.2 billion, or 25.8 per cent, rise over the year, according to the IMAP and Milliman census. Capital is entering advice from offshore and private equity, and the structures that let a practice scale are mature and widely available.

At the same time the market is contracting and fragmenting. Adviser numbers have settled in the low 15,000s after the 1 January 2026 education-standard deadline, down from a peak near 28,000 at the end of 2018. Licensee numbers have grown as advisers self-licence, many of them single-adviser practices.

Margin is the pressure point. The clearest example is the Compensation Scheme of Last Resort: the initial FY2027 levy on the personal financial advice sub-sector is **$126.9 million, more than six times its $20 million cap**, and that excludes the expected Shield and First Guardian claims, which a revised estimate due mid-2026 is likely to push materially higher.

FIGURE 1 · MORE ROOM TO GROW, MORE PRESSURE ON MARGIN



Sources: IMAP & Milliman Managed Accounts FUM Census (period to 31 December 2025); CSLR FY2027 Levy Period Initial Estimate. The revised CSLR estimate due mid-2026 is expected to be materially higher; no confirmed figure is shown.

> The ambition is legitimate and the conditions are there. The question is what a firm actually pulls to grow.

03 THE TRAP

The instinct is to do more of the same

Ask a principal how they will grow and the answer is usually a version of *more*: more clients, so hire; more scale, so buy. The logic is straightforward, and it often does not produce the result it promises.

Hiring carries its cost on day one and its return, if it comes, much later. More often there is already inefficiency in the process the new person joins, so what you have really done is teach one more person to run an inefficient business. The firm gets busier without getting better.

The inefficiency is usually larger than the principal thinks. Picture how an advice business ran a decade ago, then add every governance change layered on since. Most firms absorbed those changes by adding steps, a band-aid here, a sign-off there, never asking which of them add value. It is common to find a long chain of steps between meeting a client and implementing advice, most of which exist only because no one removed them. **That chain is what stops a firm seeing more clients.**

Acquisition as the default answer repeats the pattern at a larger scale. If the core business is not a clean, repeatable operation, borrowing to buy a second one leaves the first unchanged, two businesses that do not fit together, and the debt taken on to combine them. For a firm that has not yet settled its own operating model, M&A adds scale to the problem rather than resolving it.

THE HIDDEN CHAIN

A decade of governance change, absorbed step by step. Few firms ever removed a step; many simply added a sign-off. The result is a long chain between advice and implementation that no one designed, and that quietly caps how many clients the firm can serve.

> Doing more of the same does not break the constraint. It funds it.

04 THE REFRAME

The unlock is an operating model, not more activity

What breaks the constraint is changing how the firm operates, specifically, how it runs the investment function. A managed account is not, at its heart, just an investment product. It is an advice solution.

Its purpose is to streamline the advice process and lift the governance around it, not to change what a firm believes about markets. In a non-discretionary structure, every change to a client's portfolio carries an administrative burden: documents, consents and implementation, repeated across the book, one client at a time.

Moving to discretion removes that burden. A decision can be applied across every relevant client at once, rather than flowing through an adviser, an associate and client service for each individual. What that returns to the firm is time, and the time lands with the people who generate revenue. Advisers stop spending their days on implementation and spend them with clients: the relationships, referrals and new business that actually grow a practice.

ONE FIRM'S EXPERIENCE

A firm we build and run portfolios for had been flat for around three years, client assets close to a billion dollars, revenue around $15 million. In the year after it migrated clients from a non-discretionary to a discretionary environment, it grew organically by 20 per cent against the prior year. The growth came not from a campaign or a market call, but from redirecting resource away from investment administration and toward clients. One firm's experience is not a guarantee of another's, but the mechanism behind it, capacity returned to the advice relationship, is general.

~$1 b	~$15 m	+20%
Client assets, flat for ~3 years	Revenue at migration	Organic growth, first year after

> Managed accounts are an advice solution, not just an investment solution. The growth comes from the advice side, not from the portfolio.

05 TWO QUALIFICATIONS

The model is not always the answer

Before the paper goes further: the model is not a universal prescription, and how it is adopted matters as much as the decision to adopt it.

01 Some firms should keep building in-house

A small number of firms genuinely should keep the investment function internal, and it is worth being concrete about what that takes, because the requirement is more demanding than it first appears. Keeping it in-house works when a business has a dedicated investment team whose full-time job is the portfolio, rather than an adviser doing it alongside client work; genuine research capability rather than a research-house subscription; a documented governance framework that could withstand a regulator asking to see it; and the scale to carry all of that as a cost. A firm with bespoke client mandates that a standardised model cannot serve may also belong here.

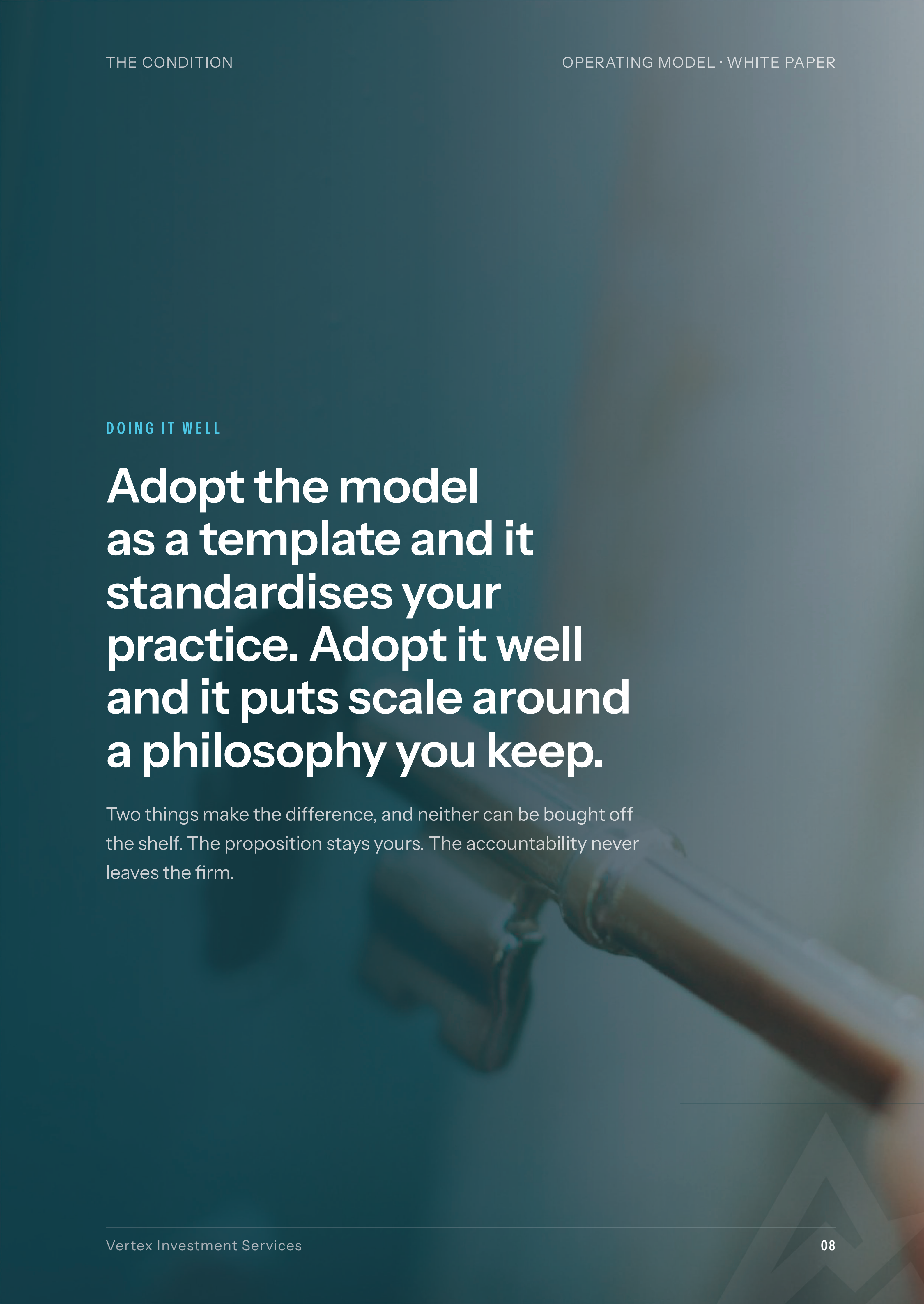
The underlying test is whether the business can replicate the governance, research depth, scalability and operating efficiency a specialist provides. An investment committee and a set of model portfolios are a start, but they are not the same as that capability. For most small and mid-sized firms, that gap is real. For the firms that have genuinely closed it, building in-house is the right call.

02 How it is adopted decides whether it works

For years, outsourcing the investment function meant taking on a provider's philosophy in place of your own, because the offer was fixed: this is the portfolio, this is what you get. A firm that accepts that gives up part of what made it distinctive, its proposition begins to resemble every other firm running the same provider's portfolios.

The decision, then, is not simply whether to outsource. It is whether the firm can do so while keeping its philosophy, and without assuming the provider has absorbed responsibilities that remain its own.

> The decision is not only whether to outsource the function, but whether the firm keeps its proposition and its accountability when it does.



DOING IT WELL

Adopt the model as a template and it standardises your practice. Adopt it well and it puts scale around a philosophy you keep.

Two things make the difference, and neither can be bought off the shelf. The proposition stays yours. The accountability never leaves the firm.

06 DOING IT WELL

Scale should wrap your proposition, not replace it

A firm that has advised clients for years has usually built something specific, a way of thinking about portfolios, a client proposition, a position in its local market. That is the asset.

The risk in outsourcing is not that the portfolios will be poorly run. It is that the firm's own thinking quietly disappears into a standard solution. Adopt a provider's off-the-shelf portfolios and the investment side of the proposition becomes hard to distinguish from any other firm using the same provider. The look and feel converge. A prospective client comparing two advice firms that both run the same standardised models is looking at the same investment offer twice.

The better arrangement runs the other way. The firm keeps its philosophy and its intellectual property, and the partner builds the scale, automation and oversight around it. The managed account becomes the means of applying the firm's own approach consistently across every client, rather than a replacement for that approach.

This is also why a managed account is better understood as an advice solution than just an investment one. Its job is to take what the firm already believes and make it scalable and governable, not to impose a house view. **A partner that understands advice starts from the firm's philosophy. A provider that understands only product starts from its own.**

> If the model makes your firm look like every other firm on the same platform, it has taken something from you, not added to it.

07 DOING IT WELL

Outsourcing the function does not outsource the accountability

Engaging a research house or a managed-account provider does not transfer the licensee's responsibility for what sits on its approved product list. The accountability stays with the licensee.

A research house can supply analysis, tools and committee support, useful for a smaller firm. What it does not do is discharge the licensee's obligations. The firm still decides its own philosophy and risk appetite, sets the criteria for adding and removing products, manages conflicts, documents its decisions, and reviews whether the products, and the research house itself, remain suitable.

Section 912A of the Corporations Act sets out a licensee's general obligations, and an approved product list is a small part of meeting them. The wider duty is to show the controls, supervision, conflicts management and resources to act efficiently, honestly and fairly. ASIC is direct: a licensee may outsource functions, including research, but **remains responsible for meeting its obligations**, and must monitor its providers and act on any compliance failure.

The recurring weakness in mid-sized practices is not the absence of policies. It is the absence of a governance rhythm: clear ownership, decisions made and challenged in committee, action items raised, owned and closed. Many can produce a policy; fewer can evidence it being executed, and that is the distinction a regulator draws.

WHAT A DEFENSIBLE PROCESS LOOKS LIKE

The baseline (RG 104): documented measures, evidence they are implemented, ongoing monitoring, and review.

Beyond the baseline: documented criteria for how a product earns and keeps its place; a decision forum with a member able to challenge independently; conflicts management with real controls behind it; and periodic reviews with defined triggers and recorded reasons for every inclusion and exclusion.

> The test is not whether you have the policy. It is whether you can evidence the decision the policy was meant to govern.

08 THE REGULATOR HAS MADE THE COST CONCRETE

Why this is now non-optional

Until recently a principal might have treated all of this as good practice rather than a pressing obligation. The collapses of the Shield and First Guardian funds, and the enforcement that has followed, have closed that gap. Public materials describe both schemes as collapsed, with around **11,000 investors and roughly $1.1 billion** at stake across the two.

In ASIC's enforcement narrative, the failures behind those collapses, at the licensee and trustee level, were failures of process rather than only of product: inadequate due diligence, weak onboarding, poor conflicts management, insufficient ongoing monitoring. The product was the symptom. The governance was the cause.

CASE IN POINT

ASIC ENFORCEMENT · 25-181MR

MWL Financial Services

ASIC found MWL ran what it called a "low cost advice project," recommending that clients move their superannuation into Shield. Between September 2021 and February 2024 it recommended Shield to more than 750 clients, who invested around $155 million. The licensee provided statements of advice with misleading representations of the fund's past performance and, of particular relevance here, **failed to properly assess Shield before adding it to its approved product list.** Its managing director sat on the investment committee that approved the fund.

In August 2025 ASIC cancelled MWL's licence and banned the director for ten years, having earlier banned the firm's responsible manager and four former advisers. The firm went into administration and then liquidation.

750+	$155 m	10 yrs	Cancelled
Clients advised into Shield	Client money invested	Director banned	AFS licence

Figures from ASIC administrative action 25-181MR (28 August 2025). The director's banning was under review at the Administrative Review Tribunal as at March 2026; the matter should not be read as finally closed.

> MWL is the clearest illustration of what the failure costs. But scale is not what created the exposure, and size is no protection from it.

08 SIZE IS NO PROTECTION

A handful of files was enough

ASIC has taken the same action against a single-adviser practice operating out of one office under one licence. A review of a sample of that adviser's files found he had not acted in his clients' best interests, that the advice was not appropriate, and that he had failed to make reasonable enquiries into his clients' circumstances before advising them.

The licence was cancelled and the adviser banned for five years. There was no lead-generation engine and no hundred-million-dollar number. There was a handful of files that could not withstand scrutiny. That was enough.

The throughline in both cases is the same. Neither failure was caused by a missing policy. Each was a failure to **run, and to evidence, a governed process**, to assess before approving, to enquire before advising, to document the decision and be able to produce it.

When a regulator issues a notice, the firm that cannot produce that evidence is the firm that struggles. Additional licence conditions, suspensions and bans follow from there.

5 yrs
Ban, single-adviser practice, one office, one licence

~11,000
Investors affected across Shield & First Guardian

~$1.1 b
Invested across the two collapsed schemes

> Governance failures are rarely a shortage of policy. They are a shortage of challenge, oversight and intervention.

09 THE PAYOFF

Governance is the mechanism inside the growth

The reason to run the investment function this way is not only that a regulator requires the governance, though it does. The same operating model that makes the governance defensible also produces the growth. They are one machine, viewed from two sides.

FIGURE 2 · GOVERNANCE IS THE MECHANISM INSIDE THE GROWTH

THE DECISION

A discretionary managed-account model, adopted well

- Keep your philosophy
- Govern what you outsource

IN DAILY OPERATIONS

Capacity

Adviser time redirected from portfolio administration to clients, the main engine of organic growth.

YEAR TO YEAR

A lower risk cost

Insurers price a governed, centralised framework as lower risk; in our experience, PI premiums have fallen.

AT SALE

A more valuable business

A repeatable, non-key-person-dependent function survives diligence and supports the multiple.

THE OUTCOME

Growth & enterprise value

GOVERNANCE IS NOT A FOURTH OUTCOME It is what produces the other three.

The three outcomes are co-equal and reinforce one another. Governance is not one of them; it is what produces them, and compounds them into growth. PI-premium and valuation effects vary by firm and insurer and are potential, not guaranteed, outcomes.

> Capacity, a lower risk cost and a higher sale value are not three projects. They are one operating model, adopted well.

10 WHERE TO START

The highest-leverage move costs nothing

The most useful thing a principal can do this year is also the cheapest: before borrowing, buying, hiring or outsourcing, decide what the business is for and what it is meant to become.

A clear objective, followed by a short list of actions that each serve it, is worth more than any single tactic, and it is the step most often skipped. The firms that grow well tend to start there, and align everything after it to that objective.

On the governance side, the equivalent first move is to turn intention into evidence. A practical starting point is to map the firm's obligations against the controls actually in place, identify the few that matter most, assign each to an owner with a deadline, and report their closure to the board or risk committee. That single exercise moves governance from a folder of policies to a record of decisions made, which is what a regulator, an insurer and an acquirer are each, in their own way, looking for.

Neither move requires a budget. Both require a decision. The operating model does the rest, provided it is adopted in a way that keeps the firm's philosophy intact and its accountability owned.

TWO MOVES, NO BUDGET

1 · Decide what you are building. A single objective, then a short list of actions that each serve it.

2 · Turn intention into evidence. Map obligations → controls → owners → deadlines → closure, reported to the board. The appendix to ASIC RG 104 is a sound place to begin.

> Decide what you are building. Then make the operating model serve it.

DIAGNOSTIC

A one-page self-assessment

A short, honest diagnostic. Few firms will answer yes to all of these, the value is in seeing where the gaps are.

OPERATING MODEL

- ☐ Do your advisers spend material time on portfolio implementation and administration a discretionary structure would remove?
- ☐ Across your book, does each client hold a subtly different version of your intended portfolio?
- ☐ If a house view changed today, how long would it take to apply across every client, and how many people would touch it?

PHILOSOPHY

- ☐ If you outsource portfolios, does the result still reflect your firm's philosophy and proposition?
- ☐ Would a prospective client be able to tell your investment offer apart from another firm using the same provider?

ACCOUNTABILITY YOU CANNOT OUTSOURCE

- ☐ Can you state your own criteria for adding and removing a product from your APL, independent of your research house?
- ☐ Do you review, on an ongoing basis, whether the research house you rely on remains capable and suitable?
- ☐ Are conflicts identified, managed and recorded, with controls behind the record, not only a disclosure?

EVIDENCE OVER POLICY

- ☐ Beyond having policies, can you produce evidence of the decisions those policies were meant to govern, minutes, action items raised, owned and closed?
- ☐ Is there genuine challenge in your committee meetings, or do they receive activity reports and move on?

DEFENSIBILITY

- ☐ If a regulator issued a notice tomorrow, could you respond with evidence rather than reconstruct what happened after the fact?
- ☐ Do you take a forward view of upcoming obligations, which reviews are coming due, rather than a report of which are already overdue?

VALUE

- ☐ Does your investment function depend on one or two people?
- ☐ Would it survive an acquirer's due diligence, and read as something they could integrate rather than rebuild?

Vertex Investment Services, an asset consulting firm working with self-licensed practices and mid-tier AFSLs on the investment function: governance, managed-account implementation and investment committee support.

SOURCES & NOTES

Sources and notes

Market and regulatory figures are drawn from the primary sources below, current as at the dates shown. Two figures, the reduction in professional indemnity premiums and the 20 per cent organic growth, are drawn from Vertex's own client experience and labelled as such in the text; they are illustrative of what the firm has observed, not industry statistics or guaranteed outcomes.

1. Institute of Managed Account Professionals (IMAP) & Milliman, *Managed Accounts FUM Census*, period to 31 December 2025: FUM of $292.9 billion, a $60.2 billion / 25.8 per cent annual increase on the December 2024 figure of $232.8 billion (December 2023: ~$194.8 billion).

2. Financial adviser numbers are from Padua Wealth Data (founded by Colin Williams; acquired by Padua in 2025), drawing on ASIC's Financial Adviser Register. As at the week ending 8 January 2026 the Register stood at approximately 15,150 advisers, a net loss of 368 over the 2025 calendar year, and the position after the 1 January 2026 education-standard deadline. The widely cited profession peak of roughly 28,000 advisers dates to late 2018, before the FASEA-driven exits; confirm the precise peak against a Padua Wealth Data historical series before publication.

3. Compensation Scheme of Last Resort, *FY2027 Levy Period Initial Estimate*: total initial estimate $137.5 million, of which the personal financial advice sub-sector is $126.9 million, against a sub-sector cap of $20 million. The estimate excludes Shield and First Guardian claims; a revised estimate due mid-2026 is expected to be materially higher.

4. *Corporations Act 2001* (Cth), s 912A(1), as summarised in ASIC Regulatory Guide 104, *AFS licensing: Meeting the general obligations.*

5. ASIC Regulatory Guide 104, *AFS licensing: Meeting the general obligations.* A licensee may outsource functions, including research on financial products, but remains responsible for meeting its obligations, and must select providers with due care, monitor performance, and act on any compliance failure.

6. ASIC and CSLR public materials on the Shield Master Fund and First Guardian Master Fund, describing both schemes as collapsed, with approximately 11,000 affected investors and around $1.1 billion invested across the two.

7. ASIC media release 25-181MR, *ASIC cancels AFS licence of MWL Financial Services and bans MWL's director* (28 August 2025). Figures used are from this administrative action. The director's banning was under review at the Administrative Review Tribunal as at March 2026.

8. ASIC Regulatory Guide 104, *AFS licensing: Meeting the general obligations*, appendix.

9. The single-adviser practice described in section 08 is a real, public ASIC enforcement action, de-identified in the text; the underlying citation can be supplied to a compliance reviewer on request.

Vertex
INVESTMENT SERVICES

WORK WITH US

Let's talk about the operating model

Vertex works with self-licensed practices and mid-tier AFSLs on the part of the business that decides whether growth is captured or given away: the investment function, its governance, its managed-account implementation, and its investment committee. We keep your philosophy yours, and your accountability owned.

CAPACITY

Adviser time returned to clients, the engine of organic growth.

A LOWER RISK COST

A governed, centralised framework insurers can price.

A VALUABLE BUSINESS

A function that survives diligence and supports the sale.

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