

Why should institutional investors have all the advantages?

September 2026

For a long time, institutional investors held a clear advantage. Their scale gave them better pricing, broader access to specialist managers, bespoke mandates, deeper portfolio insights and an earlier voice when circumstances changed.

That divide has narrowed meaningfully. Exchange traded funds, wholesale managed funds available through platforms and the growth of managed accounts have broadened investment access for retail investors. Fee differences are often smaller, albeit fund manager rebates can be cumbersome, while larger advice businesses increasingly receive sophisticated manager research, reporting and engagement.

The argument is not whether advisers can build high-quality portfolios. Clearly, they can. Rather, it is about identifying where institutional scale still creates a genuine edge and then rework selected advantages for adviser portfolios without adding complexity to the advice process.

Where the institutional edge remains

Three gaps remain particularly important: access to capacity-constrained strategies; the ability to establish bespoke mandates; and the depth of influence, governance and due diligence that comes with being a large, long-term investor.

Protecting access where capacity matters

Some strategies have a natural capacity limit. In emerging markets, global smaller companies and private equity, excessive asset growth may restrict the opportunity set or make it harder to sustain an investment approach.

Institutional investors can have greater influence over capacity because they bring scale and are often regarded as long-term partners. Consequently, a manager may be more willing to reserve capacity for them.

For managed account investors, the benefit is not merely entry to an asset class available elsewhere. It is potentially more durable access to selected strategies, each with a deliberate portfolio role.

Core global equities, emerging markets and global smaller companies, for example, can be treated as distinct building blocks rather than grouped together under a broad “global shares” label.

Bespoke mandates can improve control

The second advantage is the ability to work with investment managers on a mandate designed for a specific purpose rather than relying solely on an off-the-shelf pooled fund.

A bespoke mandate can provide greater control over investment parameters, liquidity, hedging and portfolio transparency. Full look-through is particularly valuable in areas such as private credit, where the underlying loans can be assessed against agreed parameters rather than those of a generic trust.

Mandates can also support more flexible pricing. Fees may be negotiated for a specific pool of assets and revisited as funds under management increase, without moving investors between unit classes.

In a pooled retail structure, changing to a lower fee unit class may involve administration, transaction costs, realised capital gains or time out of the market. A mandate can make the economics easier to manage without changing the underlying portfolio.

This customisation may sound like investment plumbing, but good plumbing matters. It can help manage tax, transaction costs, hedging and manager transitions while retaining the simplicity of the managed account structure.

Deeper access supports faster decisions

The third advantage lies in influence, governance and due diligence. Large institutional investors typically have direct, ongoing relationships with senior investment professionals. When a strategy changes, performance deteriorates or an organisational issue emerges, they may hear directly from the portfolio manager or investment leadership rather than waiting for information to move through research houses and distribution channels.

While engagement does not prevent surprises or poor outcomes, it can provide earlier information, fuller context

and direct access to decision-makers, supporting a faster assessment of whether a change requires action.

Where assets are held through a bespoke mandate, a provider may also have greater flexibility to adjust guidelines, manage exposures or replace a manager. The advantage for advisers and their clients is stronger oversight and a shorter path from new information to a portfolio decision.

Private markets bring the advantages together

Private markets illustrate how these three advantages can work together. The important questions are which opportunities can be accessed, what sits beneath the allocation and how liquidity, valuation, reporting and governance are managed.

Newer approaches can blend private equity exposure with liquid global shares inside broader global vehicles, combining public market exposure with private equity co-investments and funds. The objective is not to bolt private assets onto a portfolio as a separate SMA or holding, but to build them in thoughtfully around the practical realities of platform administration, disclosure and client liquidity.

The bar for SMA providers is rising

The same logic guiding institutional investors, should arguably govern decisions surrounding SMA provider selection. Institutional investors aren't selecting managers solely on price or a single performance period – they select for depth of relationship, continuity through cycles and demonstrated willingness to keep investing in their offer over time.

Advisers assessing an SMA provider face a similar situation; not which provider looks best today, but one which is building the kind of durable, multi-investment cycle relationship that compounds in value for their clients over the next 10, 20, 30 years and beyond.

The institutional advantage, reworked for advisers

Retail investors do not become institutions, and not every institutional opportunity belongs in an SMA. Some strategies will remain too illiquid, complex, expensive or unsuitable. Nor is the case for SMAs based on advisers being unable to access certain managers, research or competitive fees elsewhere.

The stronger case is more precise. Where capacity is scarce, mandates create meaningful control, or deeper manager relationships improve oversight and responsiveness, institutional scale will make a difference. The next generation of SMAs should use that scale selectively and thoughtfully to build better portfolios, not simply broader ones.

For advisers, that means retaining the simplicity of an SMA while gaining investment capabilities, oversight and implementation that would be difficult to reproduce client by client.

For MLC, that means using scale and relationships to solve for capacity, access, control and oversight. For clients, it means benefiting from scale without making the portfolio more complicated to understand or manage.

So, why should institutional investors have all the advantages? They should not.

Important information

This communication is issued by MLC Asset Management Pty Ltd (MLCAM) (ABN 44 106 427 472, AFSL 308953) (MLC or MLCAM), part of the Insignia Financial group of companies comprising Insignia Financial Ltd ABN 49 100 103 722 and its related bodies corporate (Insignia Financial Group). The Insignia Financial Group is ultimately controlled by CC Capital Partners LLC and its affiliates (a New York based private equity firm) and OneIM GP LLC and its affiliates (a London based private equity firm). Other than MLCAM, no member of the Insignia Financial Group guarantees or otherwise accepts any liability in respect of any financial product or service referred to in this communication.

This publication is intended only for financial advisers and is provided by MLCAM in connection with its distribution of MLC Managed Accounts Strategies. It is intended for Australian residents and not for the residents of any other jurisdiction.

MLCAM does not provide and is not responsible for any financial product advice or service a financial adviser may provide to their clients relying on this information, and any financial service or advice provided to clients by platform operators offering MLC Managed Accounts Strategies or other managed account strategies on their investment menu.

This information may constitute general financial advice. It has been prepared without taking account of an investor's objectives, financial situation or needs and because of that a financial adviser and investor should, before acting on the advice, consider the appropriateness of the advice having regard to the investor's personal objectives, financial situation and needs.

MLC Managed Accounts Strategies are available via investment platforms. An investor should consider seeking financial advice and read the Product Disclosure Statement and Target Market Determination relating to the investment platform before making any decision about whether to acquire or continue to hold an investment in an investment platform or any other financial product.

Any projection or other forward looking statement ('Projection') is provided for information purposes only. No representation is made as to the accuracy of any such Projection or that it will be met. Actual events may vary materially and actual returns may vary from any target return described (including for pandemic events, such as for Covid-19).

Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.

The publication is current as at September 2026. Any opinions expressed in the update constitute our judgement at the time of issue and may be subject to change.