# The Frontier Line

## Total portfolio approach

### Part two: The timelines and the present
### Measuring trade-offs and unintended consequences

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# About us

Frontier Advisors has been at the forefront of institutional investment advice in Australia for over thirty years and provides advice on $920 billion of assets across the superannuation, charity, public sector, insurance and university sectors.

Our purpose is to empower our clients to advance prosperity for their beneficiaries through knowledge sharing; customisation; technology; and an alignment and focus that is unconstrained by any product conflicts.



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# Introduction: From the old map to the live dashboard

In Part one of this series we established the foundations: TPA is best understood as a governance architecture, complexity must clear a board-owned hurdle, and the real test is not the label but whether whole-of-portfolio decisions remain transparent and accountable.

Part two picks up at the point where design meets evidence. It asks how an asset owner can make competing objectives visible, compare trade-offs before acting and determine whether its operating model is producing better decisions rather than simply different language.

## The timelines now change

Every portfolio action creates an alternative timeline:

- More growth may improve return sufficiency while weakening tail resilience.
- More private assets may enhance long-term opportunity while consuming liquidity and governance capacity.
- A tighter benchmark may protect regulatory or peer outcomes while narrowing the opportunity set.

Part two therefore turns the ideas in Part one into a practical decision system – define the measures, agree their priority, establish thresholds, identify what an action improves and worsens and record how success will be judged.

## Key themes

- **One dashboard, multiple truths.** Return, risk, resilience, liquidity, peer and regulatory pressures, implementation and governance are brought onto one decision surface, without pretending they are the same.
- **Evidence with appropriate scepticism.** Headline claims of TPA value are examined alongside small samples, inconsistent definitions, selection effects and the continuing governance strengths of SAA.
- **Behaviour before branding.** The spectrum test looks for evidence in policies, delegations, investment papers, reporting and actual decisions, not statements of belief.
- **A practical hybrid.** SAA or a reference portfolio can remain the board-owned anchor while TPA becomes the operating discipline used to assess marginal decisions, funding sources and opportunity costs.

## The central proposition

TPA does not need to be a clean return premium to be valuable. It can be assessed as an operating model – does it improve the framing, governance, implementation and review of the decisions that drive long-term outcomes? Part two provides the dashboards, scorecards, spectrum tests and coexistence model needed to answer that question. Part three will then move from diagnosis to deliberate operating model design – what to change, how far to move and how incentives and collaboration must evolve if total-fund thinking is to survive real organisational pressure.

# Chapter 1: Portfolio dashboard framework

Part one of our TPA trilogy explained why TPA is attractive but contested. This chapter makes the idea operational. It turns competing objectives into thresholds, priorities and action triggers. This publication provides a practical construct for integrating objectives, risk appetite, priorities and portfolio actions.

A portfolio dashboard should reduce complexity without pretending the portfolio is simple. It brings multiple measures onto one page, gives each measure an independent traffic light assessment, shows how measures trade off against each other, and links the whole framework to a repeatable action cycle.

## Summary

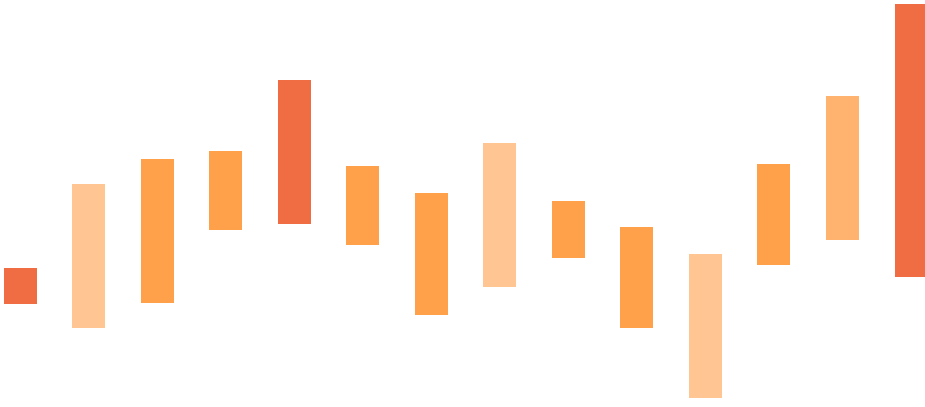
Institutional portfolios cannot be judged by a single measure. Return, absolute risk, peer risk, regulatory risk, liquidity, resilience and implementation all matter. The hard part is not listing them. The hard part is integrating them into a simple, repeatable governance process that supports decisions.

The proposed dashboard does six things:

- it lists the important measures on a page
- it defines what green, amber and red mean for each measure (which is asset owner specific)
- it records how measures interact with each other
- it allocates explicit priority weights, adding to 100
- it maps current portfolio status against those asset owner specific priorities
- it identifies the strategic action plan and creates a cycle for annual reassessment.

In formulating a dashboard, an asset owner should bear the following in mind:

- The dashboard should be concise enough for the Board or Investment Committee to use quickly.
- Every measure must have a clear owner, data source, threshold and review frequency.
- The framework should be quantitative where possible, but still allow judgement where data is imperfect.
- Trade-offs should be made explicit before decisions are required under pressure.
- Priorities should be reviewed when objectives, regulation, member needs or market conditions change.



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## Why is a dashboard needed

A total portfolio lens creates a better conversation than a siloed asset class lens. A return shortfall, for example, may be solved by taking more market risk, more active risk, less liquidity, more complexity or lower fee drag. Each pathway changes a different part of the portfolio. Without an integrated dashboard, teams can improve one measure while unintentionally weakening another.

The dashboard should therefore be a translation device. It converts objectives, risk appetite, portfolio construction, implementation constraints and regulatory considerations into one connected view. This makes the discussion more transparent and helps the Committee decide which compromises are acceptable.

### Design principle

Make the framework simple enough to communicate, but strong enough to support real decisions. The dashboard is not a substitute for detailed risk, asset allocation or liquidity modelling. It is the governance layer that connects those models.

## What should be on one page

The first page should contain the measures, the metric used, the priority weight, the traffic light thresholds and the current assessment. The table on the next page shows an example of a dashboard. The measures and each threshold limit can be changed and should be agreed by each asset owner at the outset, but the discipline should remain – each measure needs a metric, a threshold and a priority need to be clearly established.

The dashboard typically starts with defining broad L1 buckets of important areas – which in this example is return levers, diversification benefits and resiliency. For each area we contemplate a number of L2 sub-components. Ideally, asset owners should aim for five to ten measures (but more is not necessarily better). Other areas such as ESG have been in some instances and should form part of the L1 buckets, but these have not been included in the example on the next page.





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An example dashboard is shown here:

| No | L2 family | Measure | Metric example | Priority weight | Green | Amber | Red | Current |
|---|---|---|---|---|---|---|---|---|
| 1 | Return outcomes | Absolute return objective | Probability of achieving CPI+ objective over ten years | 18% | >=65% probability | 50%-65% | <50% | Amber |
| 2 | Robustness | Tail risk | Conditional value at risk or peak-to-trough loss under stress | 14% | Loss within board tolerance | Within 10% of tolerance | Beyond tolerance | Red |
| 3 | Return outcomes | Peer relative outcome | Probability of outperforming peer median by target margin | 12% | >=65% probability | 50%-65% | <50% | Amber |
| 4 | Return outcomes | Regulatory test outcome | Probability of passing a performance or benchmark test | 10% | Clear pass margin | Narrow pass or watch | Likely fail | Green |
| 5 | Diversity and resilience | Effective equity exposure | Portfolio beta to listed equity markets | 8% | Within target range | At edge of range | Outside range | Green |
| 6 | Diversity and resilience | Interest rate risk | Portfolio duration versus target or liability proxy | 7% | Within range | Modest gap | Material gap | Amber |
| 7 | Diversity and resilience | Credit spread risk | Credit spread duration and spread beta | 7% | Within range | Elevated but compensated | Elevated and uncompensated | Amber |
| 8 | Diversity and resilience | Risk-adjusted return | Expected excess return per unit of total risk | 6% | Above hurdle | Near hurdle | Below hurdle | Green |
| 9 | Diversity and resilience | Tracking error | Active risk versus SAA, peers or benchmark construct | 6% | Within target | Close to boundary | Outside range | Green |
| 10 | Robustness | Scenario outcomes | Peak-to-trough loss under named market shocks | 5% | Within appetite | Near appetite limit | Breach | Amber |
| 11 | Robustness | Downside correlation | Stressed equity beta compared with normal beta | 4% | Stressed beta controlled | Some adverse convergence | High convergence | Red |
| 12 | Implementation | Liquidity & optionality | Liquidity coverage and time to rebalance under stress | 3% | In excess of need | Adequate | Insufficient | Green |

Part three, chapter two uses this dashboard logic as part of a value diagnostic; and Part three, chapter four converts it into a common scoring language.

## How to define traffic lights

Traffic lights should be set independently for each measure. Green does not mean the whole portfolio is safe, and red does not automatically mean the portfolio should be changed. The colour means the measure sits in a pre-agreed zone and warrants a pre-agreed type of response.

| Status | Meaning | Typical response | Example |
|---|---|---|---|
| Green | Within tolerance or desired range | Continue monitoring. Capacity may be available to spend elsewhere. | Liquidity coverage is above target and can support a modest reallocation. |
| Amber | Close to tolerance or requires watch | Investigate drivers, confirm whether the movement is temporary and define trigger points. | Peer-relative probability has fallen but remains above the minimum watch level. |
| Red | Outside tolerance or unacceptable | Escalate to decision-makers and test action options. | Tail loss exceeds tolerance under a nominated stress scenario. |

## How dashboard measures trade off

The most important part of the framework is the interaction model. It acknowledges measures are not independent. One action may improve expected return but worsen drawdown risk, liquidity, peer-relative risk or downside correlation. The trade-off matrix should be maintained as a live governance tool.

**Trade-off matrix**

A dashboard is useful only if it prompts better decisions. The matrix below records the expected first-order impact of improving each measure on other measures. It should be completed by the investment team, reviewed by risk and challenged by the Investment Committee or Board.

| Action focus | Return obj. | Tail risk | Peer relative | Reg. test | Equity beta | Duration | Credit risk | Liquidity |
|---|---|---|---|---|---|---|---|---|
| Increase growth exposure | ++ | -- | + | + | - | 0 | 0 | - |
| Add defensive duration | - | + | 0 | 0 | - | ++ | 0 | + |
| Add credit spread risk | + | - | + | 0 | 0 | 0 | -- | - |
| Reduce illiquids | - | + | 0 | 0 | 0 | 0 | + | ++ |
| Tighten active risk | 0 | + | - | + | 0 | 0 | 0 | + |
| Add diversifying alternatives | + | + | 0 | 0 | - | 0 | 0 | - |

Source/caveat: ++ means materially improves, + means improves, 0 means broadly neutral, - means worsens, -- means materially worsens. The signs are illustrative and must be calibrated for each portfolio.



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Part three, chapter four takes this one step further by asking whether the dashboard can become a common scoring language for comparing unlike measures without pretending they are the same.

Three practical examples show how this can be used. First, if the peer-relative measure is amber and high priority, the portfolio may take a larger active or beta position only if spare capacity exists in tail risk, liquidity or tracking error. Second, if downside correlation is red, an action that improves expected return by adding equity beta may be rejected even if the return measure improves. Third, if liquidity is green and low priority, some capacity may be spent to improve a more important return or resilience measure.

## Setting priorities

Priority weights force a clear statement of what matters most. The weights should add to 100 and should be approved by the relevant decision body. They should not be treated as permanent. A mature portfolio may lift the weight on resilience or liquidity after a market stress. A younger fund may place more weight on long-term return sufficiency. A fund close to a regulatory test may temporarily increase the weight on that test.

| Priority type | Indicative weight | Governance question | Risk if underweighted | Review trigger |
|---|---|---|---|---|
| **Return sufficiency** | 30-40% | Are we likely to meet the long-term objective? | Portfolio becomes too defensive or fee conscious. | Objective changes or expected returns reset. |
| **Robustness** | 20-30% | How bad are plausible bad outcomes? | Portfolio looks efficient in normal markets but fragile in stress. | Drawdown, liquidity or correlation regime changes. |
| **Relative and regulatory** | 15-25% | Will external tests or peer comparison create pressure? | Short-term failure narrows strategic freedom. | Benchmark, test or peer group changes. |
| **Implementation and governance** | 10-20% | Can the strategy be executed and explained? | The chosen path becomes hard to implement or defend. | Capacity, fee, tax, liquidity or complexity changes. |

## Mapping current status against priorities

**Portfolio action map**

The map below converts the dashboard into a board-level view. The vertical axis ranks importance and the horizontal axis shows the current assessment. The most powerful uses are to identify red/high-priority issues and to locate green/lower-priority capacity that may be knowingly spent to improve a more important measure.

| | | Red | Amber | Green |
|---|---|---|---|---|
| Ranked by priority | Top quartile importance | 2 | 1, 3 | 4 |
| | Middle 50% importance | 11 | 6, 7, 10 | 5, 8, 9, 12 |
| | Bottom quartile importance | | | |

Source/caveat: Numbers refer to measures in the dashboard table.
This is an illustrative map, not an investment recommendation.

The map is deliberately simple. It shows where attention should go first. Red measures in the top priority band are the strongest candidates for action. Amber measures can require action if they are highly weighted or moving in the wrong direction. Green measures in lower priority bands may create room to solve harder problems, provided the Committee explicitly accepts the trade-off.



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## Strategic actions and iterative improvement

Once gaps are identified, the process becomes strategic rather than diagnostic. The question shifts from 'what is wrong?' to 'which action improves the total position most, given the organisation's stated priorities and constraints?'

| Issue observed | Possible strategic action | Measures likely to improve | Measures to monitor |
|---|---|---|---|
| **High priority peer outcome is amber** | Increase active risk where conviction is strongest | Peer relative outcome, expected return | Tracking error, drawdown, fee budget |
| **Tail risk is red** | Reduce equity beta or add diversifying exposures | Tail risk, downside correlation | Expected return, peer relative outcome |
| **Liquidity is red** | Rebalance from illiquids or improve cashflow planning | Liquidity and optionality, implementation risk | Expected return, private markets exposure |
| **Regulatory test outcome is amber** | Reduce avoidable benchmark-relative risk | Regulatory test, tracking error | Expected return, alpha opportunity |

**Annual dashboard cycle**

Dashboard cycle – from objectives to action.

| Step | Question | Output |
|---|---|---|
| **1. Define measures** | Which portfolio lenses matter? | Measure list and owners |
| **2. Calibrate thresholds** | What is green, amber or red? | Traffic-light rules |
| **3. Agree priorities** | Which lenses matter most now? | Weights / utility preferences |
| **4. Measure status** | Where is the portfolio today? | Current readings |
| **5. Map gaps** | What is off-track or has capacity? | Action focus |
| **6. Decide action** | What improves and worsens? | Decision / trade-off table |
| **7. Review outcomes** | Did the decision work? | Learning loop |

Chapter four in this paper provides a diagnostic for testing whether this dashboard discipline is genuinely embedded in policies, delegations, papers and real decisions.

## Implementation considerations

The framework should be implemented in stages. The first stage is a qualitative dashboard using agreed measures and thresholds. The second stage adds better data, history and forward-looking modelling. The third stage links the dashboard to decision tools, including stress tests, liquidity models, risk budgets and optimisation analysis.

Do not start with too many measures. Ideally no more than ten for a board or committee dashboard. Separate measurement precision from governance usefulness. Imperfect measures can still be useful if their limits are clear.

Agree whether each threshold is a hard limit, a soft watch point or an escalation trigger. Keep a decision log for red and amber measures, including actions taken and reasons for no action. Reassess the measure set annually and after major changes in strategy, regulation or market regime.

# Chapter 2: Measuring TPA outcomes – big claims, small samples and the SAA counterargument

The evidence for TPA superiority is promising, but not the sort of forensic proof that would survive a hostile cross-examination by a retired actuary with a laser pointer. Public claims have ranged from 50–100 bps, to 50–150 bps, to 1.3% p.a., and in some reporting to 1.8% p.a. over ten years. Those numbers are interesting, but they are not clean laboratory results. TPA is a way of working – a governance, culture and portfolio construction operating model – not a listed factor index. The Fiduciary Investor Symposium (FIS) NSW debate in the Blue Mountains in 2026 usefully reintroduced the SAA countercase: Clarity, accountability, stakeholder communication, guardrails and regulatory practicality still matter. The sensible conclusion is not 'TPA is magic' or 'SAA forever'; it is that investors should measure whether the operating model improves decisions, risk use, liquidity, accountability and governance – and then look at returns with a skeptical but open mind.

The evidence is promising, but not forensic proof. The claims are best read as directional evidence that a stronger operating model may improve outcomes, not as proof of a stable TPA premium.

## The return-claim scoreboard: The basis point ladder gets taller

The most eye-catching TPA evidence sits in practitioner and peer-study material. The direction of travel is quite clear – advocates generally see TPA as adding value – but the claimed quantum varies. The table below pulls the claims into one place, so the reader does not need to click through multiple links just to discover how large the latest optimism has become.

| Source / vintage | Who / sample | Claim or finding | Size / type | How to read it |
|---|---|---|---|---|
| **2020 TAI / Top 1000 Funds-style article** | Roger Urwin / Thinking Ahead Institute | TPA can add 50–100 bps above SAA by reducing benchmark drag, governance drag and inertia drag. 18 asset owners in the study. | Moderate / early claim | Useful as a conceptual estimate; not a controlled empirical finding. |
| **2024 TAI / Future Fund peer study reporting** | 26 asset owners, as reported by Top1000Funds and Investment Magazine | TPA organisations reportedly outperformed SAA organisations by 1.8% p.a. over ten years. | Large claim | Even quoted commentary calls it a 'crude test'; striking, but not a randomised controlled trial for governance. |
| **2026 TAI TPA hub / CalPERS-referenced summary** | Thinking Ahead Institute hub | TPA adopters are reported as having achieved a 1.3% p.a. performance edge over SAA adopters over a ten-year period. | Large claim, smaller than 1.8% | Again useful, but still a peer-study comparison with selection and definition issues. |
| **AQR 2026 Quant Lens** | AQR | No headline bps claim. AQR calls TPA 'buzzy but fuzzy', identifies real benefits, and also warns about countervailing risks from removing SAA constraints. | Cautionary | A useful antidote to the idea that TPA is an alpha vending machine with better stationery. |

Because the return evidence is noisy, chapter three deliberately broadens the value-add question from performance alone to decision quality, risk targeting, exposure design, liquidity, implementation and accountability.



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## Why measuring TPA is like weighing soup

The measurement challenge is not that TPA cannot add value. It is that TPA is not one measurable instrument. One fund may use a reference portfolio and highly delegated total-fund decision-making. Another may keep SAA weights but add better portfolio dashboards. A third may call itself TPA because *whole of portfolio* appeared on slide 6. These are not the same intervention.

- **Short history:** TPA is judged over periods that are often too short to span enough market regimes. A governance model designed for decades should not be declared victorious after one friendly cycle and a nice conference panel.
- **Small samples:** Peer studies of 18 or 26 large asset owners are valuable, but they are not enormous datasets. They are closer to a very important dinner party with unusually large balance sheets.
- **Selection effects:** Funds adopting TPA may already have stronger governance, better internal teams, more sophisticated data, more delegated authority and larger opportunity sets.
- **Heterogeneity:** 'TPA adopter' can mean anything from fully integrated one-fund model to 'SAA plus vibes'. Comparing them as if they are a homogeneous treatment group is optimistic.
- **Confounding variables:** performance can be driven by leverage, private markets, internalisation, active management, currency, fee budgets, governance quality and risk appetite – not just the TPA label.
- **Risk adjustment:** Additional return is less compelling if it comes with higher beta, higher illiquidity, greater complexity or a more heroic explanation in the annual report.
- **Attribution:** Under TPA, outcomes often arise from interactions across exposures, which is the point, but this can make accountability harder unless attribution and decision records are strong.

## What TPA advocates are really claiming

| Claim | Substance of the claim | Measurement problem |
|---|---|---|
| **Better dynamism** | TPA allows capital and risk to move towards the best available opportunities instead of being locked inside asset-class buckets or calendar-driven SAA reviews. | Dynamism can be valuable or merely busy. It needs evidence that changes were timely, disciplined and net of costs. |
| **Less benchmark drag** | TPA reduces the problem of teams maximising relative performance inside narrow local benchmarks rather than improving the whole fund. | A fund still needs a counterfactual: Reference portfolio, mandate hurdle, risk budget or clearly documented opportunity-cost framework. |
| **Better joined-up decision-making** | Public/private, alpha/beta, currency, liquidity and factor exposures can be considered together rather than through separate silos. | The measurement framework needs to capture funding source, liquidity use and factor contribution; return alone is not enough. |
| **Better governance dialogue** | Boards can focus on objectives and risk appetite, with management accountable for portfolio implementation. | This requires high trust and clarity. Without it, TPA can become 'stretchy governance' in the wrong way. |
| **Better culture and collaboration** | Teams work as one portfolio, improving organisational learning and reducing capital-hoarding behaviour. | Culture is hard to measure. If incentives are wrong, 'one portfolio' can create free-rider problems. |

## The Conexus FIS Blue Mountains SAA countercase

In May 2026 at the Conexus Fiduciary Investment Symposium in the Blue Mountains, an engaging and thought-provoking debate on the serious topic of TPA was held, albeit approached with curiosity, good humour and an open mind. The motion was "*that the total portfolio approach is superior for managing pension fund portfolios*". It was a fun framed debate and honestly one of the more enjoyable sessions (both on TPA and as a debate style format). The audience included perhaps 50-70 senior investment professionals from the industry including many chief investment officers and general managers at superannuation funds, insurers and large asset owners.

Key outcome:

- Prior to the debate 58% were in favour of the motion as presented.
- Following the debate, 70% said they favoured a traditional SAA approach.

The panel included some very experienced industry heavyweights including Damien Webb (Chief Investment Officer, Brighter Super and former Deputy CIO at Aware Super), Adrian Troller (Managing Director, International Centre for Pension Management, ICPM and previously Head of Portfolio Delivery at NSW Treasury Corporation, TCorp, a known TPA adopter), Qing Ding (Head of Portfolio Strategy and Research, NZ Super Fund, who are a known TPA adopter) and Jeremey Wilmot (JANA).

Geoff Warren (Research Fellow, The Conexus Institute, and Honorary Associate Professor at the Australian National University) chaired the debate and closed with the following summary:

## TPA: A list of key points

| Benefits | Shortcomings | Debatable issues and challenges |
|---|---|---|
| • Culture and mindset more focused towards total portfolio outcomes<br>• Capital allocation: 'competition for capital'<br>• Cross asset risk mgt, e.g. factors, liquidity<br>• Breaking down the asset class silos and related dysfunction<br>• Enhanced scope to adopt long-term view<br>• Improved returns, as per proponents | • Governance and agency issues: responsibility and accountability<br>• Benchmarking and performance attribution is fraught<br>• Demanding implementation<br>• Human capital issues<br>• Dissonance with other objectives | • What is TPA is debated and unclear<br>• Better suited to some fund types<br>• Team effectiveness – specialist vs. generalist<br>• Unclear whether better than sophisticated SAA<br>• Return improvement hard to measure and contested<br>• Governance responsibility to CIO/ investment team<br>• Greater flexibility a two-edged sword<br>• Efficacy of reference portfolios – no clear consensus<br>• Flexibility a benefit, but impaired by illiquidity<br>• Factor-based approaches difficult to implement |

Source: Conexus Fiduciary Investment Symposium, Geoff Warren's summary

Two of the key issues identified in the "Debatable issues" column are whether these approaches represent a genuine improvement over a sophisticated SAA framework, and whether any return enhancement can be measured reliably given the evidence remains contested. Importantly, both of these questions are central themes explored throughout this chapter.

Ultimately the SAA case prevailed (in this instance), and the outcome was driven by a sense that while the SAA is less exciting/fashionable an SAA is legible. It has the slightly unfashionable virtue of being understandable by boards, stakeholders and regulators. It gives a policy portfolio, review cycle, asset class weights and local benchmarks. This architecture can be imperfect, sometimes very imperfect, but it makes accountability easier. If a team underperforms a benchmark, the conversation may be awkward, but at least everyone can find the room where it happens.

- **Governance clarity:** SAA aligns with a board-led model in which the Board approves the long-term policy mix and management implements within that framework.
- **Accountability:** Local benchmarks and allocations make it easier to identify whether a team, manager or strategy added value. This can be clunky, but it is not mysterious.
- **Communication:** SAA can be explained to stakeholders in relatively plain terms. TPA can be explained too, but sometimes after three diagrams and a strong coffee.
- **Guardrails:** SAA prevents unconstrained discretion. TPA requires stronger data, culture, delegation and risk systems; if those are weak, flexibility can become overconfidence.
- **Regulatory practicality:** This is a key consideration for all asset owners. In a super fund context funds operate with YFYS, peer-aware behaviour and member communication constraints. A pure TPA model may need SAA-style anchors simply to be governable and explainable. Similarly, insurers have LAGIC capital requirements and investments need to be cognisant of the impact of any investments made on their solvency and additional capital needs.

Chapter five takes the next step. Rather than treating SAA and TPA as rival camps, it asks how they can coexist in a disciplined hybrid model. The measurement evidence does not settle the SAA-versus-TPA debate; it explains why chapter five treats coexistence as the practical landing zone for many Australian asset owners. Frontier's view is this is not a choice between one or the other (TPA or SAA), but a spectrum. And this is affirmed by other market TPA advocates in more recent literature.

## The accountability/free-rider problem: The uncomfortable bit TPA must solve

A separate Investment Magazine article on TPA's 'free rider' problem reports David Bell's (Executive Director, The Conexus Institute. Previously Chief Investment Officer at Mine Super) warning that TPA can make accountability harder. In an all-in model, where everyone participates in fund-level performance, underperformers may benefit from the work of stronger contributors. The article also notes the established SAA model offers simpler and clearer accountability in individual team silos, even if that accountability does not perfectly align with member outcomes (a specific reference to super given the article context but the point is equally applied to any asset owner adopting TPA). This is a very practical point: TPA can improve the portfolio conversation and still make human accountability harder.

Why funds need to deal with TPA's 'free rider' problem

The same article reports simple reference portfolios may need to evolve to focus more on risk rather than only returns, and that robust portfolios designed to perform acceptably across many scenarios will not necessarily be the top-performing fund in any one scenario. This matters for measurement: A TPA fund that deliberately builds resilience may look less impressive in narrow bull markets. This is precisely what Frontier has outlined in the genesis of reference portfolios and today, reference portfolios must be linked to risk! See Part one, chapter four.

## SAA and TPA are probably a spectrum, not rival football teams

WTW's "Going Electric" article gives a useful bridge. It explains why SAA was the gold standard for a long period – board-driven governance, modern portfolio 'theory, limited data and operational practicality and stakeholder communication. It also says SAA and TPA are not binary and that many asset owners can move gradually by adding reference portfolio reporting or revisiting SAA targets more frequently. It explicitly says TPA cannot completely replace SAA for all investors. That may be less thrilling than an Oxford Union debate, but it is probably closer to reality.

Going Electric: Transitioning from SAA to TPA



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A sensible Australian version may therefore be: Keep an SAA or reference portfolio anchor for governance, YFYS, communication and accountability; add TPA elements where they improve decision quality, opportunity-cost assessment, liquidity management and cross-team collaboration; and do not pretend the name of the framework is itself a source of alpha. Labels do not compound. Portfolios do.

## A better integrated measurement framework for TPA

| Measurement area | Question to ask | Why it belongs in the scorecard |
|---|---|---|
| **Return versus counterfactual** | Did the fund beat a reference portfolio, SAA benchmark or mandate-aligned hurdle after costs? | Keeps the return ambition honest. |
| **Risk and drawdown** | Was return achieved with acceptable beta, drawdown, concentration and tail exposure? | Avoids mistaking more risk for better governance. |
| **Liquidity and implementation** | Could the portfolio actually be moved or funded under stress, especially at Australian system scale? | Reflects the Conexus/FIS emphasis on footprint, liquidity and currency operational complexity. |
| **Decision quality** | Were decisions made with explicit funding sources, opportunity costs and accountabilities? | Tests whether TPA improved the process rather than simply changing the vocabulary. |
| **Accountability** | Can the fund identify who added value and who did not? | Addresses the free-rider problem and prevents all-in incentives from hiding weak contribution. |
| **Governance harmony** | Did the Board/management split become clearer, and did committee conversations improve? | Captures TPA's psychological appeal: fewer bucket wars, more total-fund focus. |
| **Regulatory practicality** | Can the approach be explained under YFYS, peer and stakeholder constraints? | Keeps the model useful in the real Australian environment, not just in a white paper. |

## Integrated conclusion

The best reading of the evidence is balanced.

TPA has attractive theoretical and practical benefits – better dynamism, better opportunity-cost comparison, more joined-up risk language and a potentially more harmonious governance culture. But it is difficult to measure cleanly, because the sample is small, the history is short, definitions vary and superior performance may reflect governance quality, scale, people, systems, private markets, leverage or luck rather than TPA alone.

The FIS debate and Conexus material sharpen the point. SAA is not merely the old world refusing to update its software. It remains useful because it creates understandable governance, accountability and communication. In Australia, scale, YFYS, liquidity and peer constraints make a pure version of TPA difficult for many funds. The likely landing zone is a pragmatic hybrid: SAA or reference-portfolio anchors, overlaid with TPA-style decision quality, liquidity awareness, competition for capital and incentive alignment.

So, the paper's final verdict is modestly cheerful: TPA may be an excellent way of working, but not a return factor that can be measured with surgical precision. SAA may be less exciting, but it has the quiet dignity of a framework that people can audit.

The wisest funds will probably stop arguing about which acronym wins and instead ask whether the TPA operating model improves decisions, accountability and outcomes. Which, admittedly, is a less dramatic debate motion – but probably a better investment process.



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# Chapter 3: How to assess whether TPA is value additive

A practical framework for measuring decision quality, governance, resilience and fit-for-purpose ambition

**Thesis**

If TPA cannot be isolated as a single return premium, it can still be assessed as an operating model. The review question becomes: Are the decisions better framed, better governed, better implemented and better aligned to long-term purpose?

## The measurement problem is real – but not fatal

In chapter two, we made the key point: TPA is not a single return factor. It is a way of working. That means performance evidence will always be noisy, especially over short horizons, with small samples and very different definitions of TPA. A fund might underperform a listed benchmark while deliberately building resilience; another may outperform because it held more risk, not because the governance model was superior.

The practical response is not to abandon measurement. It is to broaden it. Returns remain essential, but they should be one actor in the play, not the entire cast. A credible assessment of TPA should combine outcome measures, risk measures, process measures and organisational measures. It should also ask whether the current point on the SAA–TPA spectrum is right for the asset owner's purpose, regulation, governance budget and implementation capability.

## A Frontier framing

- **Keep returns in the framework**, but do not let benchmark-relative performance become the only verdict.
- **Measure the decisions TPA is meant to improve** – risk targeting, exposure design, liquidity, funding source, opportunity-cost comparison and implementation.
- **Test fit before ambition.** A more total model is not automatically better if governance, data, incentives or accountability are not ready.
- **Use a spectrum.** The right answer may be enhanced SAA, hybrid TPA, high delegation TPA or a deliberately limited TPA-ready model.
- **Make the review cyclical.** Assess current state, define ambition, pilot improvements, measure behaviour change and only then decide whether to move further.

## What can be measured?

The best measurement framework asks six questions. Some are quantitative; some are qualitative; all should be evidenced. The goal is not to create one perfect number. The goal is to create a reliable governance conversation.



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| Dimension | What to assess | Example indicators |
|---|---|---|
| **Outcomes** | Whether the portfolio is advancing its long-term objective. | Return versus objective/reference portfolio; probability of meeting CPI+ or funding target; peer/regulatory outcomes where relevant. |
| **Risk targeting** | Whether the chosen total risk level remains appropriate. | Equity-equivalent exposure, volatility, drawdown, CVaR, stress loss, funded-status / contribution / downside affordability metrics. |
| **Exposure design** | Whether the portfolio mix improves resilience and efficiency. | Factor exposures, concentration, diversification across economic drivers, currency, inflation, credit, duration, private-market and thematic exposures. |
| **Liquidity and implementation** | Whether the portfolio can act by choice, not necessity. | Liquidity coverage, time-to-rebalance, collateral calls, capital-call pacing, transaction costs, capacity, manager availability, operational readiness. |
| **Decision quality** | Whether TPA is changing the quality of decisions. | Clear funding source, opportunity-cost comparison, rejected alternatives, decision rationale, post-implementation review, speed and clarity of escalation. |
| **Governance and accountability** | Whether the operating model is more coherent rather than merely more complex. | Decision rights, attribution, owner for each risk, Board/management clarity, incentive alignment, constructive challenge, common risk language. |

These dimensions are converted into a practical client diagnostic in Part three, chapter two, which asks whether TPA would have low, some or high value for a particular asset owner.

## Returns are still measured… just differently

The return lens should not disappear. It should become more intelligent. A TPA assessment can still compare outcomes against a reference portfolio, SAA benchmark, mandate hurdle, peer group or feasible alternative portfolios. The important point is that each comparator answers a different question. A reference portfolio asks whether the total design added value. Strategy benchmarks help identify implementation skill. Peer outcomes test competitive pressure. Feasible alternative portfolios test whether the chosen design was sensible among realistic choices.

### Practical rule

Use benchmarks as diagnostic inputs, not singular verdicts. A portfolio can look poor against one benchmark while still making sound long-horizon decisions, and it can look good against one benchmark while quietly consuming liquidity, complexity or tail-risk capacity.

In Part one, chapter four we provided the reference portfolio counterfactual, while Part two, chapter five will explain how an SAA anchor can serve a similar governance and accountability role for many asset owners.



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## How to know whether your current TPA is right for you

The most useful question is not ‘are we doing enough TPA?’ but ‘is our current operating model improving the decisions we actually need to make?’ A client should assess their position on the spectrum by looking at ambition, evidence and organisational readiness.

| Spectrum stage | What it looks like | When it may be enough | When to move further |
|---|---|---|---|
| **Enhanced SAA** | Traditional SAA remains the anchor, but with better risk reporting, market-aware CMAs, DAA and periodic whole-portfolio review. | Good where board clarity, regulation or stakeholder communication are dominant and the portfolio is not overly complex. | Move further if cross-asset themes, liquidity, private markets or slow decision cadence are creating material blind spots. |
| **Hybrid / TPA-ready** | SAA or reference anchor retained; proposals include funding source, total risk impact, liquidity and implementation trade-offs. | Often the pragmatic Australian landing zone; improves decisions while preserving accountability and communication. | Move further if the organisation has strong data, delegated authority and a need for more dynamic capital allocation. |
| **High delegation TPA** | Management receives broader authority to allocate across opportunities within Board-set risk, liquidity and complexity guardrails. | Useful where internal capability is high and speed of action materially matters. | Only move here if accountability, attribution, systems and incentives are strong enough to handle broader discretion. |
| **Too far / fragile TPA** | Language is total portfolio, but accountability is unclear, attribution is weak and complexity has outrun governance. | Rarely enough; this is a warning state, not a destination. | Step back: simplify delegations, rebuild reporting, clarify risk owners and restore board line of sight. |

## The ‘need more TPA?’ diagnostic

A fund probably needs more total portfolio discipline if several of the following are true:

- Ideas are assessed sequentially by asset class and only later checked for total portfolio effects.
- The funding source is unclear, or proposals do not explain what is displaced.
- Liquidity, collateral and capital-call demands are monitored separately from return-seeking decisions.
- Common exposures appear in multiple places without a single owner of the total risk.
- The Board receives many metrics but no integrated view of trade-offs or priorities.
- Post-decision reviews focus on performance outcomes but not whether the decision was sound given what was known at the time.
- Teams can ‘win’ locally while the total portfolio becomes more fragile.

## The ‘do not go further yet’ diagnostic

A fund should be cautious about moving further down the TPA spectrum if decision rights are unclear, attribution is weak, liquidity is not well measured, risk data are unreliable, incentives still reward local asset class growth, or the Board cannot explain the model in plain language. More freedom without stronger governance is not TPA. It is a larger steering wheel with foggier windows.



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## A practical roadmap

A sensible pathway is staged. The aim is to improve decision quality before changing labels or structures.

| Step | Action | Evidence of progress |
|---|---|---|
| **1. Define objectives** | Translate purpose into return objective, risk tolerance, liquidity needs, stakeholder constraints and regulatory realities. | One page of agreed objectives and tolerances; board/IC can explain trade-offs. |
| **2. Map current model** | Assess current SAA, delegation, forums, papers, dashboards, attribution and incentives. | Clear diagnosis of where the current model works, where it creates blind spots, and where TPA may add value. |
| **3. Build a dashboard** | Create a traffic light view of return, risk, liquidity, peer/regulatory, implementation and governance indicators. | Measures have thresholds, owners, data sources and review frequency. |
| **4. Introduce decision templates** | Require each major proposal to show funding source, opportunity cost, exposure impact, liquidity impact, risks, rejected alternatives and success measures. | Papers become more comparable across asset classes; committee discussion becomes more portfolio-first. |
| **5. Pilot cross-portfolio reviews** | Select one theme or decision area – e.g. AI/data centres, private credit, currency, illiquidity or inflation sensitivity – and review exposures across sleeves. | The review identifies total exposures, overlaps, gaps and possible reallocations. |
| **6. Review and decide ambition** | After a cycle of use, decide whether to stay enhanced SAA, move to hybrid, or delegate more dynamically. | Decision based on evidence of improved decisions, not fashion or acronym pressure. |

## How to judge value-add after implementation

The post-implementation review should have three layers. First, did outcomes improve relative to objectives and relevant comparators? Second, were decisions better framed and better executed? Third, did the organisation become more governable or merely more complicated? The strongest evidence of TPA value-add may be a series of better decisions – avoiding a crowded risk, preserving liquidity before a stress, reallocating faster when relative value changes, refusing an attractive local idea because the total portfolio does not have capacity, or releasing capital from one sleeve for a better use elsewhere.

TPA may never be measurable as a clean, stable premium. But it can be assessed as an operating model. The practical test is whether it improves the decisions that drive long-term outcomes – risk setting, exposure design, liquidity, implementation, accountability and governance. If it does, it is value additive. If it only changes the acronym on the front page, it is not.

# Chapter 4: A practical test of where you sit on the TPA spectrum

The test should not ask whether an organisation says it uses TPA. It should assess whether its policies, delegations, incentives, reporting and actual investment decisions require a total portfolio lens. The true position sits on a spectrum – no TPA, partial or mid-range TPA, and full TPA. The strongest evidence is behaviour under trade-off – when return, risk, liquidity, implementation complexity and organisational constraints conflict, does the organisation optimise the whole portfolio or retreat to asset class silos?

The test gives no credit for rhetoric. It asks whether policies, delegations, reporting, incentives and recent decisions force a whole-of-portfolio lens when trade-offs are real.

## Assessment components

Each component below is deliberately framed as a yes/no test. A yes should require evidence in formal policies and recent actions. A no means either the policy is absent, the action is inconsistent, or the organisation cannot demonstrate the behaviour in practice.

| Component | Test question | Evidence required | If "yes", what it signals |
|---|---|---|---|
| **Objective hierarchy** | Do policies state a whole-of-fund objective that sits above asset class objectives? | Investment policy, board papers and reporting explicitly start from total portfolio outcomes. | The organisation has an anchor for TPA decisions. |
| **Capital allocation** | Are allocations assessed by contribution to total portfolio goals, not only asset class targets? | Recent decisions show capital moving across or within asset classes because it improves total outcomes. | Capital is treated as a scarce portfolio resource. |
| **Risk budget** | Is risk allocated and monitored at total portfolio level? | Risk reports show tail risk, liquidity, tracking error, factor exposures or scenario outcomes at portfolio level. | Risk is not only managed in silos. |
| **Trade-off discipline** | Do papers explicitly show what improves and what worsens when an action is recommended? | Recommendations include return, risk, liquidity, tax, complexity, fee and governance trade-offs. | The organisation understands opportunity cost. |
| **Governance and delegations** | Can decision rights support cross-portfolio action? Has management been delegated authority to allocate capital across asset class boundaries (wider than SAA), subject to total portfolio limits (e.g. active risk) | Delegations allow decisions that cut across asset class boundaries and require whole-portfolio justification. | Governance enables TPA rather than blocking it. |
| **Manager and asset selection** | Are manager choices assessed by portfolio role and interaction, not only standalone merit? | Manager approvals explain complementarity, factor impact, liquidity, tax and implementation role. | Selection is portfolio construction, not product collection. |
| **Reporting and accountability** | Does regular reporting show joined-up portfolio status and actions? Or Is management measured (and ideally incentivised) using total portfolio (absolute and/or active) return and risk measures? | Dashboards connect objectives, current measures, thresholds, priorities and recommended actions. | The TPA lens is operational, not theoretical. |
| **Behaviour under stress** | When objectives conflict, does the portfolio response remain whole-of-fund?<br>Part three, chapter three explains why this behaviour may not emerge unless incentive structures reward total-fund value rather than local sleeve defence. | Stress period minutes or decisions show explicit prioritisation across competing measures. | TPA survives when it is most needed. |



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## Scoring architecture

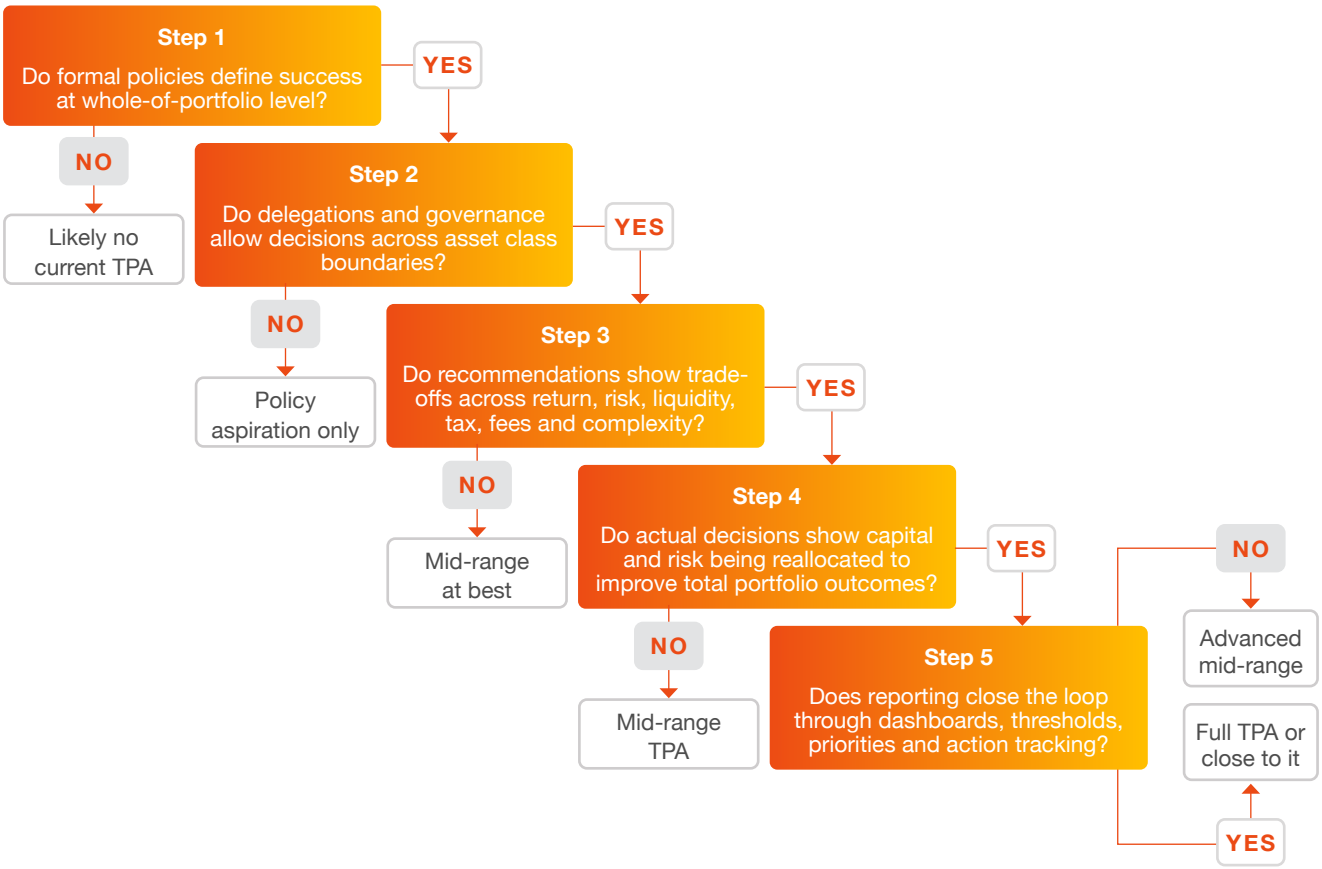
The score should be simple enough to use in a workshop. *Each component receives one point for policy evidence and one point for action evidence. This produces a maximum score of 16.* Policy evidence alone is useful but relatively weak. Action evidence alone may indicate good instincts but limited institutional backing. The strongest TPA organisations demonstrate both.

| Landing point | Score | Description | Typical implication |
|---|---|---|---|
| **No current TPA** | 0-5 | The organisation may use TPA language, but policies and decisions remain mainly siloed. | Start with objective hierarchy, risk budget and reporting redesign. |
| **Mid-range TPA** | 6-11 | Some total portfolio thinking exists, but it is not consistently embedded across policy, governance and action. | Codify trade-offs, strengthen delegations and make portfolio dashboards decision-useful. |
| **Full TPA** | 12-16 | Whole-portfolio objectives, risk, capital allocation and reporting are embedded and visible in decisions. | Move from governance framework to optimisation, scenario testing and continuous portfolio improvement. |

Part three, chapter two uses a similar diagnostic spirit but asks a different question: Not 'how TPA are we today?', but 'would more TPA actually add value for us? Please note while this chapter proposes a traffic light spectrum (for ease of common relatability) it does not imply in any way that no current TPA is a good thing or a bad thing. An asset owner should only move along the TPA spectrum if it adds value, and clarity, from a governance perspective. This is covered in more detail later in the series.

## Decision tree (a second test)

The decision tree here provides a second check. It avoids the common trap of giving credit for TPA language where the organisation cannot show TPA behaviour.



## How to use the test

- Run the test against documents first: Investment policy, risk appetite statement, delegations, board papers, manager recommendation papers, dashboards and minutes.
- Then test actions: Select three to five material decisions and assess whether the decision logic was genuinely whole-of-portfolio.
- Give no credit for language alone. 'We use TPA" is not evidence unless it changes allocation, risk, reporting or governance behaviour.
- Use the landing point as a diagnostic, not a label.

The most compelling evidence of TPA is not a statement of belief. It is an observable pattern: Policies define success at portfolio level, governance enables portfolio-level choices, papers quantify trade-offs, and actual decisions improve the total portfolio rather than protect individual silos.





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# Chapter 5: Can SAA and TPA co-exist?

Yes.

For many asset owners, the best answer is not SAA or TPA, but SAA plus better total portfolio decisioning. SAA can remain the Board-owned policy anchor, communication device and accountability architecture. TPA then becomes the discipline used inside and around that anchor, where every material decision should explain what it improves, what it worsens, what it displaces, which scarce resources it consumes, and how it will be judged later.

This chapter draws together the earlier threads: Part one, chapter four's anchor-and-hurdle logic, Part two, chapter one's dashboard cycle, Part two, chapter three's value-add measurement framework, Part two, chapter four's behavioural test, and Part three, chapter three's incentive challenge.

## Summary

- SAA and TPA are often presented as rival religions. That is too simple. SAA answers a governance question: What long-term policy mix, benchmarks and ranges has the Board approved? TPA answers a decision question: Does this action improve the total portfolio after risk, liquidity, cost, complexity, constraints and governance are allowed for?
- Some asset owners will continue to need an SAA because regulation, retail product design, peer comparison, member communication, tax, liquidity and board accountability require a clear policy portfolio. This is especially relevant for superannuation funds, insurers and retail-style multi-asset products.
- Pure TPA originated and was most visible in large, sophisticated asset owners with long horizons, fewer product constraints and stronger delegation models. There are some investors like sovereign wealth funds and large public funds which sometimes operate with more freedom than APRA-regulated, member-facing funds. TPA though can be applied in the right context to all asset owners. The lesson is not that TPA is irrelevant (even for asset owners with many constraints); it is that the operating model must fit the mandate.
- The practical landing zone is a hybrid: Retain SAA as the map, but use TPA as the GPS recalculation logic. When the route changes, a good investor should not blindly follow the old map; but nor should it throw the map out the window and claim that intuition is a strategy.

## The false choice: SAA versus TPA

The debate sometimes frames SAA as the old world and TPA as the new world. That makes for a useful conference motion, but not a particularly useful governance model. In chapter two of this paper, we made the SAA countercase carefully – clarity, accountability, stakeholder communication, guardrails and regulatory practicality still matter. Then in chapter three we broadened the measurement question – TPA should be assessed as an operating model that improves decisions, not as a clean return factor that can always be isolated.

The cleanest formulation is this: SAA is a policy and accountability anchor; TPA is a decision architecture. Those two things can coexist because they do different jobs. A Board can approve an SAA, risk appetite, benchmark and ranges, while management and advisers use total-portfolio tools to test marginal decisions against the whole-fund objective. The SAA says 'this is the agreed long-term policy reference point'. TPA asks 'given today's opportunity set and constraints, is a deviation or action justified, and what is being funded or displaced?'



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This matters because the most useful version of TPA is not 'do whatever looks best this quarter'. It is disciplined flexibility. The discipline comes from objectives, risk appetite, liquidity limits, decision rights, a reference or SAA benchmark, and a post-decision scorecard. The flexibility comes from allowing capital, risk and governance attention to move towards the most attractive whole-of-portfolio opportunities when there is evidence that doing so improves the total fund.

**Cross-reference to Part one, chapter four**

Part one, chapter four's reference portfolio discussion is central here. It showed how a simple board-owned risk anchor can coexist with a more complex actual portfolio. That same logic can be applied to SAA – retain the anchor, but require any complexity or deviation from it to earn its place.

## Why many asset owners still need an SAA

A pure TPA model can be elegant in theory, but many asset owners are not operating in the same environment as the sovereign wealth funds and large public funds where TPA became most visible. They have product promises, public reporting obligations, member or beneficiary communication needs, regulator scrutiny, peer-risk constraints, benchmark maps and board processes that require a legible policy portfolio.

| Reason to retain an SAA | Why it matters | What a TPA overlay can add |
|---|---|---|
| **Regulation and formal reporting** | Regulators, trustees and stakeholders often need a clear policy portfolio, benchmark or target allocation against which outcomes can be explained. In Australia, YFYS-style benchmark awareness and APRA reporting can make benchmark-relative risk a real constraint. | Use whole-of-portfolio tools to manage the benchmark and regulatory constraint explicitly rather than pretending it does not exist. |
| **Retail or member-facing product design** | A diversified option, lifecycle option or model portfolio must be explainable to members, advisers, platforms and boards. 'The CIO will dynamically allocate across total-fund opportunities' may be right internally but too opaque externally. | Keep the product/SAA language for external communication, while using TPA tools for internal decision papers, exposure reviews and implementation choices. |
| **Board accountability** | Boards need to approve risk appetite and know what they have authorised. SAA gives a visible line of sight to long-term policy risk and manager/team accountability. | Use TPA decision templates so every proposed change shows funding source, opportunity cost, liquidity impact, risk movement and post-decision review measures. |
| **Peer and benchmark risk** | Some asset owners cannot tolerate large short-term divergence from peers or benchmarks, even where long-term logic is sound. This can be reputational, commercial or regulatory. | Record peer and benchmark risk as one of the explicit utility preferences, not as an afterthought. |
| **Liquidity, cash flow and implementation** | Funds with member switching, benefit payments, collateral needs or capital-call programmes require a tangible liquidity and rebalancing framework. | TPA adds value by connecting liquidity to every decision, particularly private markets, overlays, currency and drawdown risk. |
| **Governance capacity** | A Board or small team may not have the systems, resources or delegation model to run a highly dynamic total-fund process safely. | Adopt 'minimum viable TPA' – exposure reporting, trade-off analysis and decision logs, without wholesale operating-model redesign. |



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## The coexistence model: SAA as anchor, TPA as operating discipline

The practical model is a layered architecture rather than a binary choice. Each layer has a job. The failure mode is using the wrong layer for the wrong decision. An SAA is poor if it becomes a static excuse not to think. TPA is poor if it becomes a licence for unconstrained discretion. A hybrid works when the organisation is clear about what is fixed, what is flexible and what must be escalated.

| Layer | Purpose | Decisioning rule |
|---|---|---|
| **Board-owned objective and risk appetite** | Defines purpose, required return, downside tolerance, liquidity needs, regulatory/member constraints and governance budget. | Changed infrequently. Any change requires board-level approval because it changes what success means. |
| **SAA / reference anchor** | Provides the long-term policy portfolio, external communication frame and core risk benchmark. | Used as the default map and comparator. Deviations are permitted only when documented against total-portfolio benefit and risk. |
| **Dashboard and utility priorities** | Converts multiple objectives into a prioritised traffic light view: return, tail risk, peer/regulatory risk, equity beta, duration, credit, liquidity, fees and governance load. | Used to decide what matters most now. A green/low priority measure can sometimes be spent to fix a red/high priority issue. |
| **TPA decision template** | Requires every material idea to state funding source, displaced exposure, total-risk effect, liquidity effect, complexity and success measures. | No major decision should proceed without showing what improves, what worsens and why the trade-off is acceptable. |
| **Post-decision review** | Tests whether the decision worked relative to objective, SAA/reference anchor, feasible alternatives and original rationale. | Learning loop. Retain, resize, exit or refine the framework based on evidence, not label loyalty. |

**Cross-reference to Part two, chapter one**

In chapter one, we looked at the dashboard cycle being the mechanism that makes coexistence practical. Define measures, calibrate thresholds, agree priorities, measure the portfolio, map gaps, decide actions and review outcomes. Without that cycle, 'hybrid' risks becoming a polite word for inconsistency.

## Practical example: A super fund considers increasing private credit

TPA can be applied (if it assists) to any asset owner (a university, an endowment, an insurer, a liability driven investor, a sovereign wealth fund, a superannuation fund). This contrived example is to illustrate TPA thinking and while a superannuation fund is used, a similar example could be contrived for any of the forementioned asset owners.

Assume a $20 billion balanced option with a board-approved SAA and ranges. The fund is member-facing, APRA-regulated, peer-aware and subject to performance-test scrutiny. Its current SAA is 70% growth / 30% defensive, with a 5% private credit allocation inside alternatives. The investment team proposes increasing private credit by 3% and funding it from listed equities and bonds.



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| Question | SAA-only framing | Hybrid SAA + TPA framing |
|---|---|---|
| **What is the proposal?** | Move 3% within the SAA ranges or recommend a revised SAA target. | Increase private credit only if the total portfolio improves after return, credit risk, liquidity, YFYS/peer risk, fees and governance burden are considered. |
| **What funds it?** | Reduce listed equities by 2% and bonds by 1%, if ranges permit. | Identify what risk is sold: Equity beta, liquidity and duration. Explain why the credit spread and illiquidity premium compensate for what is lost. |
| **What improves?** | Expected return may rise; diversification may improve relative to listed equities. | Expected income and spread premium improve; equity beta may fall; volatility may look lower, but liquidity and valuation risk increase. |
| **What worsens?** | Less liquidity and more complexity may be noted separately. | Liquidity coverage, rebalancing flexibility, valuation governance, capital-call/cash-flow coordination and scenario resilience must be explicitly tested. |
| **What decides it?** | Whether the allocation is within ranges and attractive versus its asset-class benchmark. | Whether the marginal portfolio score improves. A red liquidity signal or amber YFYS/peer signal may override a green expected-return signal. |
| **How is it reviewed?** | Performance versus private credit benchmark and SAA return contribution. | Review against original thesis: net return, drawdown behaviour, defaults, liquidity use, valuation confidence, and whether the funding source was better or worse than the decision displaced. |

In a pure SAA discussion, the recommendation might be approved because the allocation sits inside a permissible range and the private credit case looks attractive. In a hybrid SAA and TPA discussion, the same idea must clear a broader hurdle. If liquidity coverage is already green and has lower priority, the committee might consciously spend some liquidity to improve expected return. If liquidity is amber or red, the same idea may be deferred, resized or funded differently. That is not anti-TPA; it is TPA done properly.

This is exactly the kind of decision chapter one's trade-off matrix and Part three, chapter four's scoring model are designed to support – not a yes/no label debate, but a disciplined assessment of what improves and what worsens.

## How decisioning should work in practice

The coexistence model works through a clear sequence. Part one, chapter four supplies the 'anchor and hurdle' logic. Part two, chapter one supplies the dashboard and trade-off machinery. Part two, chapter three supplies the measurement framework. This chapter brings these together into a decision process.

| Step | Question | Output |
|---|---|---|
| **1. Confirm the anchor** | What SAA, reference portfolio, benchmark or policy risk has the Board approved? | A clear comparator for the decision. |
| **2. Identify the portfolio problem** | Which high-priority dashboard measure is red, amber or at risk? | Reason to act, not just an interesting idea. |
| **3. Name the funding source** | What exposure, risk, liquidity or governance capacity is being sold? | Opportunity-cost discipline. |
| **4. Score the trade-off** | What improves, what worsens and what is uncertain? | Decision table using return, risk, liquidity, peer/ regulatory and governance lenses. |
| **5. Test within constraints** | Does the action remain consistent with regulation, product promise, ranges, liquidity and accountability? | Proceed, resize, redesign or reject. |
| **6. Record success measures** | How will we know if it worked? | Ex ante decision log and post-decision review plan. |

## When coexistence is likely to be the right answer

A hybrid model is likely to be strongest where the fund needs external clarity but internal flexibility. That includes many Australian superannuation funds, insurers, endowments with stakeholder oversight, charities with risk constraints, retail-style multi-asset products and wealth platforms. These investors may need an SAA for communication, product design and governance, while still needing TPA disciplines to avoid hidden concentrations, poor funding choices, liquidity surprises and siloed decision-making.

Sovereign wealth funds are often the cleaner TPA case because they may have a single pool of capital, clearer long-term objectives, fewer retail product constraints and greater ability to delegate. But even there, the best examples do not eliminate accountability. They replace local asset class accountability with another form of discipline: Reference portfolios, risk budgets, decision records, centralised exposure monitoring and whole-fund review. That is why importing only the TPA vocabulary without the governance machinery is dangerous.

For most asset owners, the practical question is not whether SAA survives. It is what role SAA should play. If SAA is treated as an unthinking compliance grid, it will become a drag. If it is treated as the board-owned anchor against which total-portfolio decisions are tested, it becomes an enabling device. The irony is that good TPA often needs an SAA-like anchor to prove that its added flexibility has value.

## Conclusion: The map and the cockpit

SAA and TPA can coexist because good governance often needs both a map and a cockpit. The SAA is the map – it tells the Board, stakeholders and regulators what route has been approved. TPA is the cockpit instrumentation – it shows weather, fuel, alternative routes, stress, capacity and the consequences of changing course. A pilot who ignores the map is reckless. A pilot who ignores the instruments is not much better.




**Frontier's house view is retain the SAA where it provides clarity, accountability and communication; improve it with total-portfolio decisioning where the current framework hides trade-offs or slows useful action. The goal is not to win the SAA versus TPA debate. The goal is better portfolio decisions which add value and that can be explained, governed, implemented and reviewed.**



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# The final word



## What comes next

Part two of this series has moved the trilogy from origins and architecture into evidence, measurement and decision discipline.

Five conclusions now form the bridge to Part three:

- **The dashboard is a governance tool, not a decorative report.** Measures need thresholds, owners, priorities and an agreed action plan which come from the outcomes (so it is a forward planning strategic tool).
- **Returns matter, but they are not the whole verdict.** Risk targeting, exposure design, liquidity, decision quality, implementation and accountability determine whether the operating model is genuinely value additive.
- **The spectrum is revealed by conduct.** Policies and delegations matter only when investment papers and real decisions show funding sources, opportunity costs and whole-of-portfolio trade-offs.
- **SAA and TPA can coexist.** For many asset owners, the strongest model retains a clear policy or reference portfolio anchor and adds disciplined total-portfolio decisioning around it. If moving along the TPA spectrum helps an asset owner in making better investments decisions, then this is valuable.
- **More discretion requires more accountability.** Flexibility without attribution, decision records, liquidity controls and clear incentives is not mature TPA.

## The final word

The practical question is no longer whether TPA sounds attractive.

It is whether the organisation can show, with evidence, that its framework identifies the right problems, prioritises the right trade-offs, and improves decisions without obscuring accountability. The answer may be enhanced SAA, a hybrid model or a more delegated TPA structure. The right destination is the one that improves total-portfolio outcomes while remaining explainable, governable and implementable.

### Part three: Building the operating model deliberately

Part three will return the DeLorean to the present. It will ask what an asset owner should actually do next – diagnose whether more TPA would add value, choose a proportionate ambition, design decision rights and common scoring tools, and align incentives so teams allocate capital for total-fund benefit rather than defend local sleeves.

The final test will be practical: Can the organisation convert the evidence and tools in Part two into repeatable behaviour?

The future of portfolio governance will be shaped less by which acronym wins, and more by whether better decisions can be made, explained, implemented and learned from.

### Learn more

Get in touch with us at busdev@frontieradvisors.com.au to learn more or understand how we can help with your portfolio approach.



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