

Bayley Stuart Investment Management Pty Ltd

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13 May 2024

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

By email: corporations.joint@aph.gov.au

Dear Committee Secretary,

**Submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into
Wholesale Investor and Wholesale Client Tests**

Please find under cover of this letter our submission to the Parliamentary Joint Committee's inquiry into 'Wholesale investor and wholesale client tests'.

For clarification on any part of our submission we can be contacted at:

Name: Michael Suckling

Position: Chief Operating Officer

Phone: [REDACTED]

Mobile: [REDACTED]

Email: [REDACTED]

On behalf of Bayley Stuart, I thank the committee for the opportunity to make a submission.

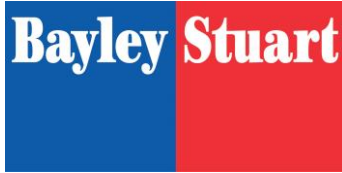
Yours faithfully,

A black rectangular box redacting the signature of Andrew MacGillivray.

Andrew MacGillivray
Managing Director

Enclosure:

1. Bayley Stuart submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Wholesale Investor and Wholesale Client Tests



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Introduction

Bayley Stuart Capital Pty Ltd (BSC or Bayley Stuart) (ACN 604 351 591) is a Melbourne based commercial property investment manager, fund manager and investor with a core focus of originating real estate investment opportunities to offer to its growing portfolio of wholesale clients (comprising high net worth individuals, family offices, self-managed superannuation funds and platforms managed by professional advisers and investment managers). BSC was established in 2015, and since inception has transacted in excess of \$364 million in commercial property assets in an investment management capacity and has grown to now manage approximately \$450 million of quality property assets across both registered and unregistered trusts with equity raised for each of these trusts from wholesale clients. In addition to investment management Bayley Stuart has access to extensive capabilities in commercial agency via Bayley Stuart Pty Ltd which was founded in 1991 by Alasdair MacGillivray with Andrew MacGillivray joining in 2000 and its focus is on assisting in the outperformance of BSC assets.

BSC is privately-owned by its directors with major holdings held by the MacGillivray family, and Wolf Capital which is owned by the Wilson family and a minority stake held by the Reid family. The shareholders and the business have co-invested in excess of 10% of the equity of every fund since 2018.

BSC has established Bayley Stuart Funds Management Ltd (BSFM) (ACN 654 735 930, AFSL no. 537104) which obtained its AFSL in August 2022. BSFM provides RE/Trustee services for all future unregistered and registered managed investment schemes established by Bayley Stuart. Bayley Stuart Investment Management Pty Ltd (BSIM) (ACN 654 734 602) is an authorised representative of BSFM and a wholly owned subsidiary of BSC and is appointed investment manager for all Funds operated by BSFM.

BSC also operates as an authorised representative (No. 1237956) of MARQ Private Funds Pty Ltd (MARQ) (ACN 604 351 591, AFSL 473 984) which provides Trustee services for certain funds.

The core aim of Bayley Stuart is to identify and acquire high-quality commercial real estate assets that yield robust investment returns for both Bayley Stuart's funds management shareholders and Bayley Stuart's unitholders in specific registered and unregistered managed investment schemes. Bayley Stuart business focus is on investments in real estate assets that will deliver favourable returns for our clients. Over the past decade we have built up a team of industry experts employed within the group or as professional consultants to assist us in originating, structuring and managing real estate investments to deliver solid returns for our clients

Changing Wholesale Investor/Client Tests

We do not support changing to the wholesale client tests where the unintended consequences could result in many in the industry that have structured their businesses to only deal with wholesale clients model losing their business, disadvantaging their client base and ultimately creating a more restrictive market.

To illustrate, consider the upheaval advisers faced a few years ago with the implementation of FASEA education requirements. The industry has since witnessed a notable exodus of advisers, making financial advice increasingly scarce and expensive. Adjusting wholesale client thresholds could further jeopardize advisers' ability to maintain their wholesale-exclusive business models, potentially forcing them out of the industry altogether.


The primary argument for change seems to be that in 2002 about 2% of the population could satisfy the individual wealth tests. Compared to an estimated 16% in 2021 and projected 44% by 2041¹. However, we are unaware of any explanation about the basis for the original 2% of the population and whether 2% of the population was correct or actually too restrictive.

We also have some concerns with it being portrayed that once a person meets the wholesale thresholds they are forced to be treated as a wholesale client, this is most definitely not the case, the individual can continue to invest as a retail client.

It could also result in investors being forced to dispose their wholesale products, which could result in losses for them and fellow investors, as well as other complications such as incurring tax burdens and other transactional costs.

As simple as it may sound altering the wholesale client definitions and thresholds could have a substantial impact have on financial markets as a whole. The United Kingdom recently went down a similar path and in less than two months reversed the decision. We would be wise to learn from the mistakes of others.

Yours faithfully,



Andrew MacGillivray
Managing Director
Bayley Stuart

¹ Treasury Consultation paper, Review of the regulatory framework for managed investment schemes, August 2023 p18