

How advisors are benefitting from partnering with a DFM

A growing number of financial advisors in South Africa are starting to use discretionary fund managers to help them manage their clients' funds in the complex world of fund management.

At Equilibrium, we have found that financial advisor practices prefer partnering with a discretionary fund manager (DFM) because of an increasingly challenging regulatory and compliance environment.

When weighing up the options of which DFM to use, many financial advisors consider performance a significant factor to determine the overall success of a DFM portfolio. This should, however, not be the only reason for choosing a DFM. In today's turbulent market conditions, factors such as risk profiling and asset allocation should form a far greater part of any due diligence process.

Other details such as location, access to the investment manager, transparency of fees and how much control the advisor retains over their client relationship should be the foundation from which to conduct a comprehensive appraisal of a potential DFM partner. Once an advisor has selected the most suitable DFM partner, some of the advantages of this collaboration are:

Partnership

We have an outcome-based investing philosophy and craft solutions based on client outcomes, which allows us to build solutions for your advice practice. This is done through our continuous engagement with advisors and learning about their businesses. It is about the relationship: our approach is focused on collaboration and establishing a long-term, mutually beneficial relationship with our financial advisors.

For us, the advisor is the author of clients' financial plans. However, you do not have to worry about where to invest, about timing the markets or about the latest regulatory requirements. You can focus on your practice, building your business and spending more time with your clients to give them the best financial advice.

Freedom

Advisors get to deal with experts who are dedicated to investment management. The investment mandate that an investor signs allows the DFM the freedom to fire or replace the investment manager if they do not meet the strict criteria that the DFM sets. This allows advisors to focus on their primary role of financial planning while leaving the job of selecting investment funds to the DFM and their investment managers.

This gives advisors more time to spend with clients to plan their journey to financial success in a tax-efficient and flexible manner as and when their plans change. Advisors are expected to be the gatekeeper between the DFM and the client. Partnering with a DFM makes this process seamless.

Risk

When partnering with a specialist investment manager, you, the advisor, sit on the same side of the table as the client (as the author of their plan) and pass on the risk of investment outcomes to the investment manager. This provides the best possible solution for both you and your client, as you can hold the DFM accountable and the client benefits from your independence in constructing and analysing portfolio performance.

Resources

Both you, as a financial advisor and your DFM have unique specialist skills. When clients understand the different skillsets and responsibilities then they are also more at ease, knowing that their advisor who knows them is planning for their future needs while their investments is safeguarded by the DFM.

At Equilibrium, we offer a range of services to advisors. You can select the services that offer you the best value and that would scale your practice. We also give you access to resources and insights that are usually not available to you when you select funds yourselves.

Many DFMs have been in the business of fund management for a long time and have a great wealth of expertise and resources to pour into their investment process. But not all DFMs are equal, so selecting one that meets your requirements is crucial to the success of your advice practice and your clients' investment goals.

Equilibrium is an independent DFM that partners with financial advisors to help them enable their advice outcomes. Email me at Methula.Sikakana@eqinvest.co.za to find out how a DFM can help your advice practice or visit our website at eqinvest.co.za. ■



Methula Sikakana, Business Development Manager, Equilibrium