



Why Partnering with a DFM Just Makes Sense

Discretionary Fund Manager (DFM) Solutions have grown tremendously in popularity among advisors and their clients in recent years. The latest research survey by NMG indicated that 80% of Independent Financial Advisors in South Africa now make use of DFM models, rather than selecting funds themselves. A few main reasons for the rapid growth in DFM assets are evident, so let's explore those.

Time & Expertise

A Financial Advisor's main role is to be an expert guide to clients on all matters relating to their financial journey. The South African financial industry is heavily regulated and advisors are spending a significant amount of time on administration and compliance work. This means that outsourcing investment decisions within reasonable parameters frees up their time, helping them to focus on managing their client relationships.

In addition, partnering with an experienced asset manager allows advisors direct access to qualified and experienced investment professionals. Decades of experience, industry insights and research culminate in bespoke solutions, tailored to meet the specific needs and goals of every client.

Diversification

DFM's are better equipped than most Financial Advisors to build well diversified portfolios. Blending less correlated managers (style, process or focus area) paves the way for smoother performance over time.

Risk Management

When partnering with a DFM, advisors are equipped with a dedicated team behind them to focus on the management of client solutions, and who are equipped to constantly monitor performance and make any necessary changes. DFM's combine their extensive research and models to determine optimum blends between various funds. This, when done correctly, helps to reduce overall drawdown in any Investors' portfolio.

Transparency

Good DFM's offer transparent and clear reporting on the performance, allocation and fees of the solution. This solidifies a relationship built on trust between the DFM, the Financial Advisor and the Investor.

It is important to touch on the potential drawbacks of DFM solutions, the first of these being costs. DFM's charge management fees for their services, which impacts the net return a client receives. However, as the AUM of the solutions increase, DFM's can access cheaper underlying fund fee classes, thus reducing overall cost. One needs to consider the value that using a DFM solution adds, and whether that justifies the cost.

One would also need to consider the DFM comparison complexity, as there are many DFM solutions on the market. Comparing them can be quite a challenge. Different methods of presenting costs and performance adds to this complexity. Understanding what the bottom-line costs are, and whether performance is gross or net of fees, will help reduce complexity when comparing solutions.

Seed Investments has built a range of DFM solutions, co-created with Senior Financial Advisors. These solutions cater to client-specific needs and have received great support thus far. As an Investor, we encourage you to talk to your Financial Advisor about how you can leverage the benefits of these solutions.

We believe that trust and accessibility are the defining characteristic that sets the Seed offering apart from other DFM solutions, and why partnering with Seed as your DFM just makes sense. We look forward to partnering with you on the journey to financial freedom.



Our dedicated DFM team is available to provide all the guidance you will need on your journey.

Please don't hesitate to reach out to us on dfm@seedinvestments.co.za.

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