

What you need to know about choosing a DFM partner

Skill, scalability and simplicity. Those are the three key features to look for in a discretionary fund manager (DFM), according to Leigh Köhler, head of Investment Solutions at Glacier, speaking at the inaugural Glacier Invest Summit in July 2019. More than 400 financial intermediaries attended the events and were exposed to a plethora of issues and trends that impact professionals whose role it is to build investment portfolios for their clients.

The local landscape

The regulatory environment in South Africa has spurred DFM growth in South Africa. Legislation such as RDR has forced advisers to manage their practices very differently in recent years, and to be on the lookout for the best DFM with whom to partner. More than 40 DFMs manage approximately R165 billion worth of assets in South Africa. The top four account for roughly 70% of the assets in this industry and Glacier Invest accounts for 22-25% of the entire market share with assets under management in excess of R40 billion.

Köhler says that in the DFM space, what creates the perfect investment eco-system for positive outcomes are:

- scale;
- skill, which means the capacity to build and select; and
- simplicity for the adviser as well as the client.

R2.3 trillion worth of assets in the UK

In the UK, R2.3 trillion worth of assets are managed on a DFM basis. Of the 110 players in the industry, just three are majors. Köhler observes that the big players in the UK hold the lion's share of assets under management because of the three critical elements that they have combined to create success.

Currently, 88% of all advised assets are held within managed solutions such as model portfolios, multi-asset funds and bespoke discretionary portfolios. All managed solutions total R4.8 trillion in

assets. Of this, roughly half are managed on a DFM basis.

Why are skill, scalability and simplicity important?

Köhler unpacks the three components and why they are important:

Skill – This allows for greater breadth and depth of both market and asset manager research, as well as personalised portfolio manager support and tailored investment solutions for the financial advisers.

“The size and experience of Glacier Invest’s investment team is a crucial differentiator in the SA DFM market – it ensures that the financial advisers that have partnered with us have security in the knowledge that they have partnered with the best,” says Köhler.

Scalability – With the largest assets under management in the DFM industry, our scale allows us to invest in cutting-edge investment technology such as Glacier Invest Smart Portfolio and Charles River Investment Management Solutions. Smart Portfolio is Glacier Invest’s digital portfolio management enabler that we provide to all our clients. It improves the overall investment outcomes and enables financial advisers to become better investment professionals. The Charles River system ensures custom design and management of all our client solutions.

Our scalability also allows us to negotiate better fee deals with large and small asset managers. We have secured institutional fee classes for our clients that can only be accessed via Glacier Invest. This means that our clients can access the very best asset managers at the very best costs in the industry.

Simplicity – the back-end may be complex, and the systems that connect our various elements may be intricate, but for our interface and interactions with intermediaries, we are committed to seamless, elegant simplicity. Our solutions are designed to make it easier for financial advisers to have the often tough investment conversations with their clients. Financial advisers can access Glacier Invest in four ways: Glacier Invest Wrap Funds (model portfolios), Glacier Invest Customised Solutions (customised reporting), Glacier Invest Implemented Consulting (tailored portfolio construction) and Glacier Invest CAT II Consulting.

Competing with the best DFMs globally

“We are proud that our home-grown DFM and consulting capability can compete with the best globally”, says Köhler. “We have all of the elements for successful outcomes for our clients, and hundreds of our supporting intermediaries agree with that assertion. With a solid track record and the biggest investment research team in the country, Glacier Invest has the critical components required to be the DFM partner of choice.”

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