

Decoding Discretionary Fund Managers:

In conversation
with Faaqqa Khan



Investment Solutions by Alexforbes

In the dynamic world of finance, where acronyms abound and market shifts keep us on our toes, one term has been making waves: discretionary fund management (DFM). But, what exactly is it, and why should investors and independent financial advisers (IFAs) pay attention? We sat down with Faaqqa Khan, Senior DFM Specialist at Investment Solution by Alexforbes, to demystify the role of DFMs and explore their impact on the investment landscape.

What exactly are DFMs, and why should investors and IFAs pay attention?

At its core, a DFM isn't just another acronym; it plays a crucial role in the investment landscape. It's a strategic partner – a backstage maestro – working in tandem with IFAs and intermediaries. It helps IFAs navigate the retail investment space – managing portfolios, conducting risk assessments and fulfilling client expectations. DFMs are investment management partners to IFAs, working with them to elevate their investment proposition to clients.

Can you break down the pros of working with a DFM?

Amplified expertise: DFMs bring a wealth of expertise to the table. We want to be enablers of the best possible advice. It's about segregation of duty when it comes to financial planning and investment management. IFAs benefit from insights, research and market acumen.

Time saving: DFMs can ultimately help IFAs, focus on what they do best – building relationships and understanding clients' needs. DFMs handle the nitty-gritty of investment decisions, leaving more room for personalised service.

Risk management: DFMs can help IFAs manage risk, diversify their portfolios and re-calibrate them over time to uphold their commitment to clients and ensure continued relevance.

How does Alexforbes fit into this picture?

Alexforbes recognises and honours the invaluable contribution of advice as the bedrock of informed decision-making. At the heart of our DFM strategy lies a profound belief in the power of connecting high-quality advice with best-in-class solutions and services that elevate client experiences and deliver real, impactful outcomes for individual clients. Today, the role of an IFA has never been more vital.

We're not newcomers; we're just adapting to the retail space and want to offer all the skills and depth of knowledge from our institutional expertise to IFAs. We bring the institutional magic to the retail table. Each element of our DFM offering has been specifically curated in the spirit of partnership, where IFAs feel in control, confident and secure in their business pursuits. Our longevity and track record speak volumes. When we say, "We've been there, done that," we mean it.

What about costs?

The cost aspect is crucial when considering a partnership with a DFM like Alexforbes. Let's break it down:

Alongside platform costs and advice fees, this fee ensures that the DFM's expertise and services are accessible to clients.

The investment management fee is split into two components:

- 1. Underlying manager fee:** Here's where the magic happens. Alexforbes, with its substantial scale as a multi-manager, can negotiate fees with investment managers. Think of it as bulk buying – lower fees that benefit the client.
- 2. DFM fee:** Introducing a DFM fee is part of the equation. This covers the personalised service, strategic insights and holistic management provided by the DFM. Even with the added DFM fee, clients benefit overall due to our ability to reduce costs and pass on savings to them. It's not just about cost; it's about value. The DFM's expertise enhances investment decisions, regulatory compliance and cost efficiency. IFAs remain independent, yet they lean on Alexforbes for specialised skills and value adding services. It's a win-win.

How does data play a role in all of this?

Over the years, Alexforbes has partnered with a network of IFAs, sharing a common belief: knowledge is power. We want IFAs to see us as part of their practice, offering insightful guidance that encourages informed and improved decisionmaking. We start with a book analysis, then dive deeper. Through this process, opportunities emerge, insights flourish and sustainable practices take root.

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