PRESENTER: Under the new MiFID II disclosures regime, how can a discretionary fund manager help an adviser to demonstrate value, and how can advisers get the best from the discretionary fund manager adviser/client relationship? Well that's exactly what we'll be discussing in this Academia session with Davydd Wynne, Portfolio Director, Cazenove Capital. There are four key learning outcomes: how can a DFM help you explain value versus price in light of MIFID2 disclosure changes; can using a DFM help increase the value of your business; how does a DFM improve diversification and access to a broader range of investments; and if outsourcing reduces regulatory risk. But first let's start with outsourcing and the investment risk it reduces. Well, Davydd, let's start with outsourcing. What is the investment risk it reduces? DAVYDD WYNNE: Well outsourcing allows an adviser to take the investment element of a client's portfolio and outsource: use someone whose core expertise is investment management. So it's playing to people's strengths really. PRESENTER: So does it reduce risk or get rid of it altogether would you say? DAVYDD WYNNE: It's a really good question in the sense that actually investment risk is not something that can be compartmentalised; it's all a question of what the client needs. The client will have different needs at different points in their life, and you could say that at some point they may need an IHT portfolio; at one point they need a more standard balanced or growth approach to what is their investment requirements. So, actually, having an investment manager that you can outsource to, allows you to say well how well is that investment manager resourced, what do they do, what's their particular core expertise, and you choose the best investment manager in the industry for that particular requirement. So it allows the adviser to sit as judge of what are the potential opportunities out there. PRESENTER: But would you say maybe definition of risk could create issues, for instance how do you ensure that the adviser's definition of risk is the same as the client's, which is the same as the DFM's? DAVYDD WYNNE: I like that because there are no end of ways that you mechanise judging risk. And that is essential because it's a starting place for understanding what the client thinks and what their fears are so that you can start to quantify that. But there is no substitute to using that as a starting point for discussion. You take those criteria, you then take that to the client and say right this particular outcome says that you should say be balanced. But what does balanced really mean? In the industry, we've done lots of modelling. We work out what are the potential downturn outcomes that will happen in awkward markets etc. But there's no substitute for actually looking at the client, speaking to the client and saying how would you feel if your portfolio were to fall, say, 5% or 10%, whatever the number is. And you can actually really gauge what they really feel by risk when you actually say that to them. So, in judging risk, you will have several actual mechanisms for having an approach that gives you the first stage, but you've got to make sure that you involve the clients in any full risk solution. PRESENTER: And is there any evidence that DFMs are better than advisers at running client portfolios? DAVYDD WYNNE: I think rather than saying who's better or worse etc. it's a question of advisers that are out there who have taken time and made sure that they've resourced their investment offering probably do a very good job. It is a question of what works for the adviser in terms of their business model, and we are there to meet the need of those advisers who say that as far as their business model is concerned outsourcing actually helps them develop their business better and more profitably and actually primarily is the best solution for the client. PRESENTER: But what tools do DFMs have that perhaps advisers don't have? DAVYDD WYNNE: Well it all depends on the adviser concerned; however, a fully resourced discretionary fund manager would have teams of people looking at the market, the economies, making sure that they're going out looking at funds. A fund manager may have the ability as I said to provide IHT portfolios or ESG overlay to understanding how a client portfolio may be run. You perhaps have access to products such as structured products that may not be within the particular expertise of an adviser. Not saying that advisers don't have this expertise, but sometimes they may not, and it's best to actually outsource it to the DFM involved. PRESENTER: Now there is a concern that if DFMs get very big, then they're lumped in a portfolio that's very big and unwielding, what would you say to that issue? DAVYDD

WYNNE: If the discretionary fund manager is big that allows them to be aware of all the different channels to market. You're aware of offshore bonds, pensions, ISAs or personal named trust. You're also of a size that means you can devote adequate resources to looking at as I said earlier about the ESG or IHT or structured products. You can then actually say look at alternative assets, and see what is the best way that you can gain exposure to private equity, renewables, whatever it is, but you have got the resources to look at that. PRESENTER: And how could advisers work out what time and resources are spent on investment research? DAVYDD WYNNE: That's essentially for advisers to determine. But the way that discretionary fund managers can potentially help advisers is that advisers will be speaking to their clients. Their clients may well say oh we've had an awkward time in the markets, what's happening? Use the discretionary fund manager as a resource. So that you can actually send over pieces on economics, what is happening at the current time, how are you looking at markets at this particular time? Equally the discretionary fund manager can be used as that resource. If the adviser is comfortable actually with the discretionary fund manager, they can refer the client to the discretionary fund manager and say can you please address these particular questions that my client has? Use us as a resource. And effectively we should be just the investment function of your offering. And actually by outsourcing the discretionary fund management part of the business, it allows the adviser to sit on the side of the client. Because they sit on that side of the table looking at the performance of the investment manager saying whether it's been a good or bad period of performance that has been on offer for the client. And ultimately if the discretionary fund manager isn't providing the right service, well then there's another fund manager that is there that could be used instead. You've got very good fund managers out there in the industry; it's just a question of what meets the client's needs. PRESENTER: Well a lot of advisory businesses are people-based, so what's the argument for getting rid of somebody who's doing a perfectly good job just for the sake of efficiency? DAVYDD WYNNE: And I wouldn't think it's necessary to just get rid of the person who's doing a perfectly good job for efficiency. You've got to, we do actually work with advisers who do run their own portfolios, and they sometimes get clients who are of a size where the client or the adviser feels that there's so much money with that one particular client that it's appropriate to go for manager diversification so that they as it were don't have all their eggs in one basket. PRESENTER: So let's look at regulatory risk now, and does this reduce it? DAVYDD WYNNE: The industry is so broad and diverse it all depends how your particular business is established. Fundamentally, if you're trying to do the right thing by the client, then you're probably going to be the right side of the regulatory regime. PRESENTER: So going from a hands-on to a hands-off investment, does it break a link with the client doing it this way? DAVYDD WYNNE: I actually think that it's a partnership. Whereby the client is there saying look I've made my money in whatever industry it is, not finance, say, and they go into the adviser, and the adviser becomes the trusted adviser. And then the client will say well what I'd really like and what I really want from my investment manager is this. And so the adviser says right well I'll give you a choice of a few so that you can see if any of these meet your particular needs. And then it becomes, it should become a partnership. The advice element is provided by the adviser. They look at the most efficient mechanism for the client, pensions, whatever it is. The client is there thinking I just want my best interests served, and the investment manager says in a risk-adjusted fashion, we want to deliver the returns you're expecting. PRESENTER: So, for PI insurers, do they see outsourcing as a way for advisers to lower risk? DAVYDD WYNNE: I'd have to say I really don't know what advisers experience in that regard. PRESENTER: So software packages, digitalisation, it makes it easier for advisers to do investing themselves, and the necessary audit trails are self-creating, so why bother with outside mandates? DAVYDD WYNNE: And actually if you view the industry it's almost like a spectrum. You can have model portfolio services for smaller clients, whereby the adviser can say right I want to outsource for my client. I'll have that particular investment risk strategy for this client from that provider on that platform. And that's great. However, you do get to a point whereby going to a discretionary fund manager, the size of the portfolio does matter. For instance, if you are of a certain size, then you can actually have your gross assets in an offshore bond or an ISA, and you capital gains assets in your own name. And that's the most efficient way of using the capital gains assets available to the individual and making sure that you're not giving yourself too much income. But that means if you looked at the individual wrappers, the offshore bond or the pension or whatever it is, they would look to as it were orientate it to one asset rather than another within the overall risk balance that you were trying to put together for them. But when you combine the two, so you're looking at the individual product on a holistic basis, it suddenly falls into place and it becomes a mandate that's in keeping with the risk that's wanted for the client. PRESENTER: So let's move on to tax planning now, and would you say this makes it easier or harder to do with outsourcing arrangements? DAVYDD WYNNE: I think that if you look at an adviser who says right I've got a client, they have got these individual wrappers, the offshore bond or pension or whatever it is, name. Right, you have this money in these particular vehicles, I want you to run everything holistically for my client and therefore it makes sense for you to for example put all the capital gains assets in the personal name, that will be the thing for you to do. So it makes it far easier for the adviser I would argue if they actually put it out to the investment manager and say right OK here is what the client holds, here are the individual portfolios they hold, run it in a way that has a very keen eye on what is most tax efficient for the client. You know, just make the most of their capital gains exemption this year. Make the most of, you're aware of what their income is, make sure that you're trying not to have too much in income generating assets, say. PRESENTER: So just to reiterate, what are the wrappers that DFMs have available? DAVYDD WYNNE: Depending upon the DFM, you should be able to work together with providers. The offshore bond providers, pension providers, own name - that would be provided directly - ISAs, you can work together with trustee firms. There's several ways that you can actually run the monies for the clients. PRESENTER: So then how easy is it to have a coherent portfolio across all of this then? DAVYDD WYNNE: Well what the discretionary fund manager should have is systems that will actually say well when you aggregate all these portfolios together, how does it look? So you look at the four individual pillars or five pillars that are the investment vehicles for the client, and then you say right, put them together, how does it look, how does it shape up? And then you say right, I want to make a change, and if you make a change you make a change in the most appropriate vehicle for the client. PRESENTER: It does sound complicated, so how much simplicity does this bring to a client's tax issues? DAVYDD WYNNE: When we report, or when a discretionary fund manager reports, they should normally have a valuation that will say when you aggregate all the portfolios together this is what it looks like. And then later in the report it will say well within this particular portfolio it looks like this, within this portfolio it looks like that. And also a discretionary fund manager will often have the tax report package available to send on to the client and the client's accountant. PRESENTER: So a DFM portfolio, is it really the most tax efficient way to run a client's portfolio? DAVYDD WYNNE: It doesn't have to be in a DFM arrangement, but for most discretionary fund managers out there, they have significant experience of running portfolios for clients in a way that is aware of the various tax allowances that are permissible each year. PRESENTER: So business risk, I think this is a key point for a lot of advisers, so who owns the client? DAVYDD WYNNE: I think that most discretionary fund managers would say that the client is primarily the adviser's. The adviser sits with the client, he's primarily the trusted adviser, and then sits at arm's length from the discretionary fund manager. The client very much has the closest bond with the adviser. It is good also that the discretionary fund manager has a relationship with the client and adviser. I think it leads to the strongest relationship possible if they are all working closely together and everyone feels relaxed about it. In fact if the discretionary fund manager were to try and get between the client and the adviser, they'd be doing something that would almost certainly mean that no further business flows would be coming from that adviser. So there's actually an interest in the discretionary fund manager making sure that the adviser and the client have as close a bond as is possible. PRESENTER: Because that was going to be my next question, I mean how much of a danger is it that the DFM might poach the client, is there a real risk of that? DAVYDD WYNNE: Most of the discretionary fund managers that I know have no interest in actually getting between the adviser and the client. Because actually it doesn't, there's that level of trust as to what you are going to do, how you are going to arrange your business relationship with the adviser. And actually the best thing for all concerned is that you actually say right, the client and adviser, you are there sitting there and we are running the money. That's our reason for being. PRESENTER: So do you think an adviser should link to a DFM directly or through a platform, which is better? DAVYDD WYNNE: Both. It's almost like a continuum, in that you'll find that the client comes in. It's a lifecycle thing in that you're out. You're just beginning to earn, all of a sudden you're getting a little bit of surplus. You're managing to put some of that money away. That naturally lends itself to a platform, PS service etc. That is very efficient. But then what happens is that you do then find yourself in this continuum getting to the point whereby you have sufficient assets, whereby it is important to actually keep them in different places. Be it in a pension, be it in personal name or whatever. PRESENTER: So in practice in a meeting where does the adviser sit? Do they sit next to the client, or do they sit next to the DFM? DAVYDD WYNNE: In practice they sit next to the client one step removed, and they sit there judging the investment manager. What should have happened right at the outset of the relationship is the investment manager, the discretionary fund manager should have sat there and said right this is what we aim to do, this is our particular style. There are no end of discretionary fund management styles out there. There are some investment managers who focus on investing through individual equities, some who focus on using funds. There are some management houses that are a single asset. So it all depends what the fund manager is trying to do. But once you have outlined what you do, how you run the money, ideally you're going to produce that upturn for the client. And it's then making sure that the client sees that and that the client is happy with that. PRESENTER: And paperwork and legals, who are they between? DAVYDD WYNNE: It depends on what the particular, if it's a personal portfolio the legals are between the client and the firm, but of course the adviser will also be involved in that quite often. If the paperwork is with a pension provider, it will be the pension provider, as well as the client and adviser and the firm. So the client will always be involved, and the adviser will pretty much always be involved as well. PRESENTER: And what should the info flow from the DFM to the client be? DAVYDD WYNNE: Of course there's the regulatory requirement in that you have to make sure that you do the quarterly reporting, and that's the minimum. But what we find is that actually putting out economic pieces, publishing thought provoking research of whatever and letting the client have access to that is also very good. And so if you've got an e-services package that allows the client to access, as well as the adviser, and sometimes access to what you're producing, that's very useful. And equally what we do, and other discretionary fund managers as well, is that they will put together these research pieces, and proactively send it out to the adviser, who then may find one or two pieces particularly interesting, and they then in turn forward it on to the client. PRESENTER: So just to summarise this section, and so an adviser has a big client, why should they take the most profitable and go and dangle them in front of a Brewin's or a Cazenove for example? DAVYDD WYNNE: Diversifying the manager risk is a potential reason for that. Actually outsourcing the investment side of their business, as I say it's for those advisers who thought that it's actually the best way to run their business is to actually outsource the investment management. And by doing so actually it's a partnership. It allows them to act as independent judge of that investment manager. Their fortunes aren't tied up to how successful they have or haven't been in investment management. And by outsourcing the investment management element of it, it allows them to then be freed up with that section of their time that would have been given to managing investments, to actually going out into the marketplace and finding new clients. Every business needs to make sure that the client base is vibrant.

PRESENTER: So outsourcing investment, do this add value to a proposition or not? DAVYDD WYNNE: I clearly think so. Basically if you're looking at your access to investment strategies, it's very difficult to go out there and get access to structured products, inheritance tax portfolios, access to pensions etc. That's where the partnership with the adviser comes in. And ultimately what you will be judged on is your performance. Are you providing the performance that you said you would deliver? There are some investment management houses that set out their stall as being high risk, great. There are some investment houses that set out their stall as being low risk, medium risk, whatever it is. Every fund manager will be aware of their particular strengths and weaknesses in actually making sure that what they deliver to the client is what they say they're going to deliver to the client. PRESENTER: Well we've certainly talked about the pros, but are there any cons that they should be aware of? DAVYDD WYNNE: In terms of cons I think it's just making sure that the client wants to have an investment manager that is right for their circumstances. And that's what the adviser determines in the first place. But I think that actually it's just making sure that you do it in the right way. Making sure that you've given the client the choice of investment manager so that what investment outturn is that which is expected. So making sure that there is discussion, and what we find is that where things go wrong is where people haven't been talking. If they've been talking, both sides know what the other is meant to deliver. And that tends to lead to a really good outcome. Where it doesn't work is when people aren't talking or expectations aren't appropriately highlighted right at the start. PRESENTER: But for a new owner of business, how easy is it to analyse existing relationships? DAVYDD WYNNE: I think that comes into how any transition has happened within any business. In that a good transition is where the previous owner has been talking fully and candidly about their client base to the new owner. But as far as we're concerned we've got a client on our books who will have a relationship with an adviser, that is the adviser that we're dealing with, and we want to make that work, and if we make it work it's better for the adviser that's taking over and it's better for the client. PRESENTER: But if an adviser's looking to sell their business, what role does a DFM play? Do they increase the value, or perhaps detract from it? DAVYDD WYNNE: It very much depends upon how the individual adviser is structured. For instance, if they have an existing DFM relationship, then it allows the new adviser to come in and have an investment approach that is already up and running. And so it allows for a pretty seamless transition. Equally if the current adviser has a very strong investment offering that is largely reliant on them, well then you're more beholden to the existing adviser for that particular investment approach. It depends upon the nature of the transition as to how effectively each is managed. But what we find is that with businesses, what they value is the continuity of the investment adviser. PRESENTER: So let's look at cost now, a massive issue. So how can the adviser work out that the benefits are worth the fees involved? DAVYDD WYNNE: And ultimately it's performance. What does the investment manager provide? Is it that which is expected? But getting involved in the investment management involves some costs, there are fees. But the fees should be appropriate for what is being produced. And investment managers will report their performance after costs. So that is what the client has been receiving, and it should be in line with expectations and what has been outlined and discussed. And also if you're thinking about the costs involved, because you're a discretionary fund manager you can go out into the marketplace, and there is a value to getting an investment that you couldn't get elsewhere. That's just almost a non-monetary benefit, because you're an investment manager who can, is of a size where you can get the institutional class shares. That's something that also matters in making sure that you can go into investments in a cost effective fashion. PRESENTER: But DFM as a whole, I mean it has a whole level of fees for running the models, bespoke portfolios, I mean how do you navigate that? DAVYDD WYNNE: In short, we make the investment decisions on the basis that we just want to do the best that we can do. And what you should be doing is producing results after fees that are in line with client expectations. PRESENTER: And they should be paid for by better risk adjusted returns or. DAVYDD

WYNNE: Yes, that's a very good point, in that that's precisely what you should be producing for the client. You should be producing good risk-adjusted returns absolutely. PRESENTER: I want to look now at the benefits that DFMs get via scale of buying, what are the benefits when it comes to this? DAVYDD WYNNE: You can often get a very effective result through the scale of your operation. For instance, in structured products, you can go into the marketplace and you can actually negotiate with various issuers. And it's more timely. Whereas if you weren't of a certain size, you would have to take an investment product that just happened to be on offer at that time. Which is probably still really good, but it's just a question of you can be more nimble with what you're doing and therefore you can get better results through scale. Through scale you can, if you are a discretionary fund manager you will normally be of a size to invest in the institutional class, and that's a better cost for the client. So you've got both scope of the investments that you can invest in, which has the diversification benefit of going back to the risk-adjusted returns, and also because of your size you should be more nimble, you should be able to negotiate a better arrangement. PRESENTER: So should the adviser be paying for this service out of their own fees, or should they pass on that charge to the client? DAVYDD WYNNE: The fees for the adviser have always had to be, well certainly in the recent past have always had to be separately disclosed. And so the adviser fees will be separately disclosed to the investment management fees, which will also be fully disclosed. And that's right and proper. And the value of the adviser is significant, making sure that a client's affairs are well ordered, making sure that they're in the most tax efficient vehicles for them. That they're looking through the life cycle, they're thinking about generational planning. They're making sure that they can run all the cashflow analysis that is important for the client. There are so many elements of value that are added by the adviser. And the discretionary fund manager should operate together with the adviser, making sure that their vision is effectively implemented. PRESENTER: And the MiFID II disclosure rules, how do they fit into all of this? DAVYDD WYNNE: The MiFID disclosure rules are going to happen. The industry is going to be ready for it. All of the disclosure of costs etc. will be made available for the client, and in one sense it's really quite straightforward. It's just that what needs to happen is that the industry needs to make sure that the performance that they provide for the client is what they're expecting. PRESENTER: So does one outsourcing provider fit every part of the client bank then? DAVYDD WYNNE: You'll find that there are numerous discretionary fund managers out there who have a wide range of capabilities and equally they will be able to provide various risk approaches: cautious, balanced, growth, aggressive, whatever the approach may need to be. And so you will find significant capabilities within discretionary fund managers. However, not one discretionary fund manager will be able to cater for the entire marketplace. There are different client requirements, there are different investment manager styles and therefore you've got to make sure that you've got the client, the most appropriate discretionary fund manager for their needs. PRESENTER: So then give me some examples of how adviser firms use outsourcing. DAVYDD WYNNE: In our experience what adviser firms do is that they've made that decision to go for outsourcing. They'll then say right OK who is it I should use? And they then, through various mechanisms they will go out and conduct their due diligence on providers, discretionary fund managers. And they'll say right, what do you do, what do you do, what do you do? Quite often they'll have a very good idea in the first instance. And what we tend to find is that they will come to a panel. And the panel is not all me too, they'll actually have a panel that will provide different approaches, so that there is truly a choice for the client. And that is more often than not what we come across. And actually we find that that works really well, because rather than not having a choice, by presenting a choice the client sets the tone. And sometimes an adviser thinks that they know what the client will choose, but they then find that the client has actually said well actually the one that best suits my needs is somewhat different. PRESENTER: And do they keep investing in-house in some cases? DAVYDD WYNNE: Advisers? PRESENTER: Yes. DAVYDD WYNNE: Definitely, they will invest in-house, but equally we find that we're involved when they want to engage in manager diversification. They get to a size whereby keeping all the assets there, they feel that it's best for their business to actually diversify the investment side of things. PRESENTER: And what's the outsource range, what are we looking at, fund of funds, DFMs? DAVYDD WYNNE: That's the great thing about having a big industry, because you've got all the diversification. You've got firms like ourselves will cover from model portfolio services through to discretionary fund management and up on the spectrum. And there are other firms who do exactly the same thing. But that's it. You have got so much diversity out there in terms of the offering, it's not one size fits all. PRESENTER: So on the flipside how much of the size of the assets does the adviser or the client need to be of interest to a DFM? DAVYDD WYNNE: And that's where the model portfolio service comes in, in that you can start at quite a low level. So a few thousand pounds and you're into an investment offering that broadly reflects what the discretionary fund manager can offer. And so using the platforms you can get access to all different risk approaches. PRESENTER: So what does the DFM offer over and above what you'd get off a model portfolio off a platform? DAVYDD WYNNE: So, on certain model portfolio services, you can't invest in gold for instance. You can't invest in structured products, depending upon the platform and the way in which you want to take that exposure. So some assets can't be included. So when you get larger you can have those particular products within your investment approach. And going back to the discussion about making sure that you can have assets in the personal name, or you can have assets in the growth environment, and therefore you can make sure that you make the most of the particular allowances. And that when you get to a certain size that allows you to be truly bespoke for the client. And so what the industry has done is they've made sure that they can cater for small clients, make sure that the smaller clients are happy. They accumulate assets, and then they get to the point where basically the size of their wealth justifies taking on a discretionary fund manager. PRESENTER: So give me an example of something maybe you bought in the last 12 months that added value that an adviser, say, wouldn't have had access to. DAVYDD WYNNE: For instance we've had, within our portfolios we actually, and other discretionary fund managers will do this, but we have diversified alternative assets fund. That allows for a mix of assets that the client normally couldn't get hold of in a very easy fashion. So this diversified alternative assets fund invests in private equity, property, renewables, aircraft leasing, the whole range of different investment approaches, in a way that is diversified and liquid, so that's one thing; also getting involved in structured products. Because a discretionary fund manager is usually of a size where they can actually go in quickly into the structured product universe, they can take advantage of a market fall, they can take advantage of say a spike in volatility to get a higher coupon. And actually what we've found is that if we're looking over the last 12 months, we've had one or two structured products, auto call in particular, whereby the move in the underlying UK market has been marginal. And yet the auto call was providing a reasonably high level of step-up payment. And so that's the sort of thing that you can get quickly and effectively, which you might not be able to do if you were actually running your own client bank, and weren't being able to focus on investments all the time. And many advisers will have a setup that allows them to do that, but this is one of the things that discretionary fund managers do day in day out. It's their reason for being. PRESENTER: So putting together a checklist for outsourcing, how many DFMs should be on the list? DAVYDD WYNNE: Very difficult to say, but effectively give the client sufficient choice, but not so much choice that they're actually left thinking I can't remember where I started in the day. More often than not I come across a choice of, I find that where one of three, two or three. PRESENTER: And how much consolidation is there in the industry? DAVYDD WYNNE: There's been a bit in the industry, but fortunately the industry has still got numerous DFMs offering many different approaches. PRESENTER: So what are good third party providers of information, anyone who pulls this, who should they be looking at? DAVYDD WYNNE: Effectively look out in the industry and use all the mechanisms that you can to gather thoughts on who might be the best investment managers to use. PRESENTER: And in terms of the philosophy of the DFM, what should advisers be looking for? DAVYDD WYNNE: Start with the client. Start with the client and see what the client wants. Is the client someone who wants, is at the stage in life where they have assets that need managing, and then find out what is the most appropriate. Because discretionary fund managers even within certain parameters will be able to manage a spectrum of risk for the clients, you know, from low risk to high risk. But each will have a different style, and they will probably outline it in their meeting with the clients. PRESENTER: So, in terms of ongoing due diligence, what should the adviser be thinking about there? DAVYDD WYNNE: I think that the adviser should every couple of years make sure that they're looking at what their discretionary fund manager is and what they're providing. And they can use different, de facto they can use the arks of this world to go in and look and judge who the investment manager is that best meets their requirements. PRESENTER: Any red flags they should be maybe looking out for? DAVYDD WYNNE: They should always be looking at their investment managers, making sure that you're looking out for a stable investment manager that is engaging in frequent communication with you and the client as required. And there are so many factors to what makes a stable investment manager in terms of ownership, strategy, resourcing; there's no one thing that a client or adviser should be looking for. PRESENTER: And doing the deal at the start, what should you do just in case you need to break away with the client in the future? DAVYDD WYNNE: The nature of the relationship, they should always say at the outset what happens if I want to leave? It's then the discretionary fund manager's challenge to make sure they never want to leave. But just make it clear what timeframes are involved, what liquidity constraints there are, etc. Most advisers will know what they're after there. But essentially you almost go into the relationship thinking how you might end it. But the best situation is then when all parties, client, adviser and investment manager are working together. And actually what we find in terms of our relationships with advisers and clients is once a client understands what you're trying to do, and I'm sure this is true of other fund managers as well, they buy into the idea and actually clients stay with us for many years. PRESENTER: So in summary overall then what's the advantages to the end client? DAVYDD WYNNE: The end client is that they get the investment approach that they're expecting. They're getting an investment approach through as it were a cohesive arrangement between client, adviser and investment manager that is very efficient for their circumstances. It is something that addresses their ongoing and developing needs. What stage are they through the lifecycle? Making sure that they get an investment manager who's going to take them through the good and bad times, and making sure that you're getting an investment manager who engages with you, understands you, and makes sure that the underlying investment strategy that is delivered is one that the client and adviser expect. PRESENTER: Well Davydd, thank you so much. DAVYDD WYNNE: Pleasure. PRESENTER: In order to consider the viewing of this video as structured learning, you must complete the reflective statement to demonstrate what you've learned and its relevance to you. By the end of this session, you'll be able to understand and describe how can a DFM help you explain value versus price in light of MiFID II disclosure changes; can using a DFM help increase the value of your business; how does a DFM improve diversification and access to a broader range of investments; and if outsourcing reduces regulatory risk. Please complete the reflective statement to validate your CPD.