FINANCE Q&A's



DFM Models



Offering all elements of discretionary fund management (DFM) internally means Lakeside investment managers can provide a highly reactive, cost-effective and risk-managed service exclusively to clients. Lakeside Compliance Director and Investment Committee Member, *Nathan Hibbert*, explains how such investment models work.

Can you give a brief overview of DFM investment models?

N: Discretionary models are baskets (known as portfolios) of investment funds and products created to meet a range of client risk profiles. They provide off-the-shelf solutions for clients to invest in without having to take costly, bespoke advice on a regular basis.

Discretionary Investment Managers can move the investment around as long as it remains within the risk parameters of the client's portfolio. They would do so to minimise drops during bad economic times, such as when Covid hit, and to capitalise on the upturns. Of course, as with any type of investment, things can still go up and down, but our record shows that we get it right more than getting it wrong; plus, it's better to be reactive to the economy rather than doing nothing.

Who is this type of investment model best suited to?

N: It's not suitable for those who don't want any risk on their capital. The level of risk volatility ranges from portfolio to portfolio, so smaller-scale risk to high risk. The ups and downs are greater at the top end of the scale, but the investment growth is potentially bigger.

While DFM models are deemed to be 'off-the-shelf', our portfolios are created bespoke with Lakeside clients in mind. Our Lakeside FS advisers work with clients to establish which portfolio to match them to, taking into account their individual circumstances as well as how much risk they want to take and how much return on investment they are looking for.

What are the main benefits of DFM investment models, and are there any drawbacks to consider?

N: The top benefit is that the portfolio management is ongoing without the client needing to approve decisions. So the managers can be fully reactive in moving the investment at the best times without being held up by client correspondence.

The drawback for some is the layer of costs with this type of investment. However, as we do all elements of investment portfolios internally, we cut out admin costs incurred when using a third-party discretionary manager. This means we can bundle everything together to keep the price down and the value up for our clients.

How do DFM models differ from full discretionary management?

N: With full discretionary management, there is a high level of investment, and the investment manager chooses which stocks and shares to invest in. They incur higher layers of admin costs because there is a cost attached every time the managers are trading.

We have benchmarked our portfolios against some of the big discretionary funds across one, three and five years and have remained in the top 10% of discretionary fund managers during that time. This shows that DFM models can be just as effective as full discretionary management.

For further information on DFM investment models, please contact: *admin@lakesidefs.co.uk*

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25 YEARS SERVING OUR CLIENTS

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