defaqto

DFM satisfaction study 2023

February 2023

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Introduction

This is the eighth Defaqto discretionary fund manager (DFM) satisfaction study based on feedback from adviser firms that have outsourced their client investment assets to third-party discretionary managers.

The study among financial advisers, undertaken during August and September 2022, received 294 responses measuring the performance of 14 categories of service:

1	**Provider financial strength and resource** As indicated by growth in discretionary assets, group assets under management (AUM) and discretionary AUM. Confidence in firm to run a variety of portfolio types, with the resources to do so
2	**Provider brand** Perception of brand quality. Additional confidence in certain brands (eg based on reputation, size, visibility)
3	**Client on-boarding** Efficiency and ease of signing up new clients with cash to invest or those with existing holdings
4	**Existing business administration** Report delivery, payment of income, issue of contract notes, capital gains tax (CGT) reporting
5	**Investment flexibility – range of assets** The range of assets used in portfolios (eg funds, individual securities, structured products) is sufficient to meet client needs
6	**Investment flexibility – range of options** **For bespoke** – Confidence in investment managers to run a wide range of different investment portfolio types (eg risk targeted, income, ethical, cash plus) **For MPS** – Sufficient range of portfolio options to appeal to client base
7	**Remuneration** Adviser charging facilities are compatible with preferred method of fee remuneration
8	**Service** Flexibility in service to client and adviser eg client meetings (frequency, depth, location), reporting frequency, reporting structure, CGT management, legacy holding approach, access to investment managers
9	**Online facilities** Availability of up to date portfolio information to adviser and/or client (eg valuations, transactions, market views, previous reports)
10	**Accessibility** Availability of DFM service through third-party platforms and other tax wrappers (eg self-invested personal pension (SIPP) and offshore bond) is compatible with current ‘buy list’
11	**Quality of staff – administration** DFM staff are available and able to deal with a range of enquiries in a timely manner and bring enquiry to a satisfactory conclusion
12	**Quality of staff – investment** Investment managers or account managers are able to respond to any investment queries with knowledge and conviction, accurately reflecting any current portfolio positions or market views. Able to support the adviser firm in promoting the service
13	**Quality of literature** Clear, easy to understand literature and terms, which give adviser and client a fair representation of the service they should expect
14	**Ease of doing business** The ease of doing business with the DFM firm over all aspects of the relationship

Methodology

We first asked advisers to assess the importance of the 14 service disciplines listed above, using a five-point scale from 'not at all important' through to 'very important'. From this we calculated a mean score out of five to determine the perceived importance of each of these individual aspects of service.

We also identified which DFMs advisers are using. Finally, we identified their preferred DFMs and measured their satisfaction levels with these, again using a five-point scale from 'very dissatisfied' through to 'very satisfied' for each aspect of service.

While our surveys are 'whole of market', the analysis is based on those DFMs nominated as preferred by advisers.

From the DFMs that qualify for a rating, we combined both 'satisfied' and 'very satisfied' scores to determine the 'total satisfaction score' for each of the individual aspects of service. These were then weighted by the importance of each category and then aggregated to determine one overall satisfaction score for a particular DFM.

The satisfaction indices by category and Service Ratings are available within Defaqto Engage, our financial planning software solution. They are also the basis of the Gold and Silver Service Ratings.

defaqto 2023 GOLD DFM Service

defaqto 2023 SILVER DFM Service

Satisfaction study qualification

Exclusions

DFM firms with fewer than 10 completed adviser responses do not qualify for a rating.

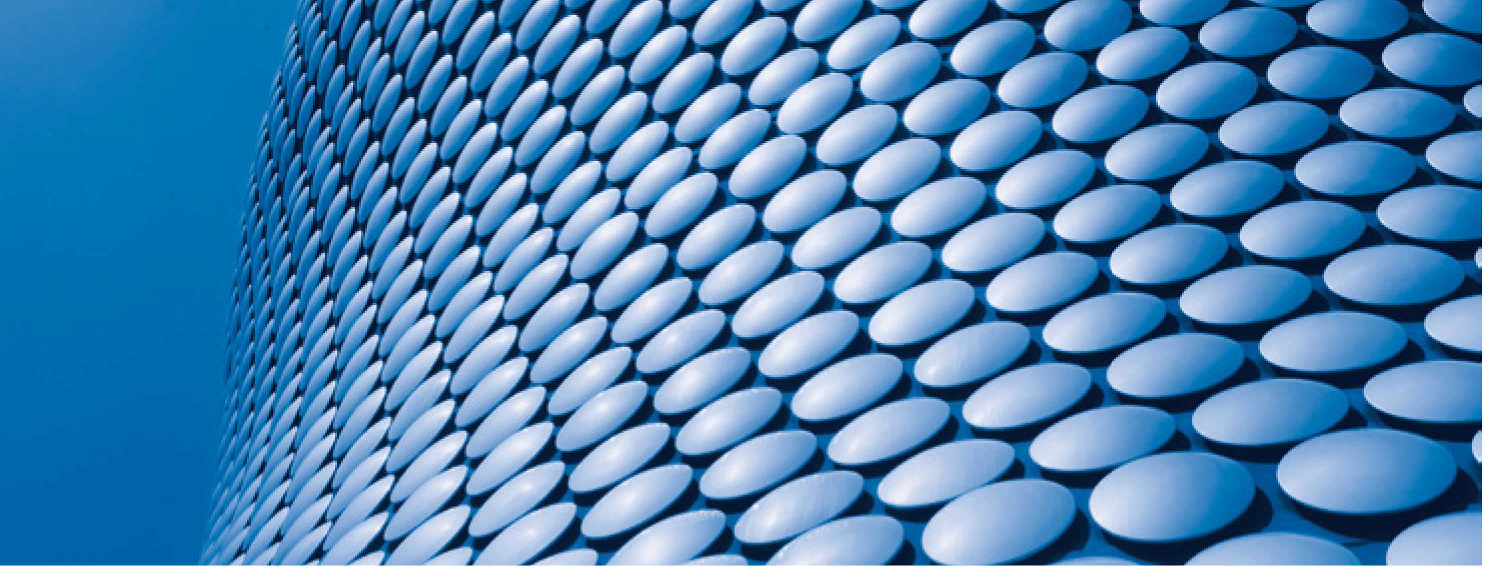
Adviser responses from those that are employed directly by, or are appointed representatives of, DFM firms were excluded from the survey.

Inclusions

In previous studies, only direct custody solutions have been included in the main study. Historically, it was perceived that MPS on platform was the route of preference for advisers that wished to keep discretionary firms at arm's length, only selecting DFMs for their investment expertise.

It has become apparent over the last couple of years that advisers now appreciate, often relying on, the service provided by DFM firms for those solutions hosted on an adviser platform as well as those with direct custody via the DFM.

As it is the intention of the Service Ratings to rate the DFM provider and not specific propositions, it now makes sense to include MPS on platform in the study to complete the service picture.



Executive summary

- The survey was conducted during August and September 2022 employing online and telephone fieldwork techniques, measuring the relative importance of 14 satisfaction categories with the advisers' preferred DFM providers.
- The study measured which DFMs were being recommended, how satisfied the advisers were with their preferred DFM providers and identified where expectations were being met by cross-matching ranked importance to ranked satisfaction.
- 2022 saw the inclusion of MPS on platform for the first time.
- On average, advisers are using 3.5 providers for DFM services, up for the second year running. The market continues to be dominated by a handful of firms, but we do note that there are a number that appear to be gaining traction.
- There has been an apparent dropoff in the number of advisers using bespoke investment services.
- Most advisers use a combination of DFM types, with MPS on platform being the most popular.
- Schroders & Co. (now including Cazenove), Brooks Macdonald, RBC Brewin Dolphin, Quilter (previously Old Mutual Wealth) and Tatton received most nominations as a preferred provider.
- The ranked order of importance of the 14 categories is largely similar to last time with *Quality of staff – investment, Service, Investment flexibility – range of assets* and *Ease of doing business* again ranked most important.
- *Quality of staff – investment* achieved the highest weighted satisfaction and *Remuneration* the lowest.
- Adviser satisfaction fell in all but three of the categories, but expectations are still being met or exceeded in 9 out of the 14 categories.
- Expectations are not being met for 5 out of the 14 satisfaction categories including the top category of *Quality of staff – investment*.
- Adviser satisfaction has seen a dropoff overall. This has been negated to some extent by a softening of expectations of advisers.
- We may have seen a reaction this year to the exceptional service provision during the COVID-19 pandemic, where we applauded the industry for its positive support of advisers. This would have been difficult to maintain. Broadly, adviser expectations are still being met, although DFMs should beware of complacency, particularly in administrative areas.

DFM propositions

We asked all the advisers to share with us which type of discretionary propositions they have used in the last 12 months.

Table 1 shows the percentage recommending the three main types of DFM.

DFM type	Respondents (%)				
	2022	2021	2020	2019	2018
MPS (selecting a pre-constructed portfolio) direct with a DFM	54	52	36	38	35
MPS via a platform	60	60	58	57	52
Bespoke service (portfolio constructed for the individual client)	41	62	65	60	63

Table 1: Percentage of types of DFMs used by respondents in recent years

The advisers that completed the survey said they used 459 different DFM proposition types. This means that, on average, advisers are using 1.6 discretionary proposition types each. While this has decreased marginally from 1.7 last year, it is in fact reverting to the number from 2020. It is still an indication that most advisers continue to offer choice of proposition.

It is likely that adviser panels will incorporate an MPS (either on or off platform) and perhaps a bespoke service for more complex cases or for clients with specific investment requirements. It is noticeable that the number of bespoke propositions used has dropped significantly. While this is more likely to be a reflection of the sample of advisers who completed the survey, it is possible that this is an early sign that bespoke propositions are becoming less of an attraction to clients. We did note last year a small drop in the usage of bespoke services, and it may not be a coincidence that portfolio choice through MPS has expanded rapidly.

Digging a little deeper, 75% of those advisers that make use of a bespoke service for their clients also use an MPS. For the 25% of bespoke users that do not also use an MPS, it is likely that the majority will either be using multi-asset funds or constructing portfolios with single asset funds for clients that cannot access, or are unsuitable for, bespoke services. These numbers are broadly in line with previous years.

Taking a look at the numbers from the reverse angle, 91% of the respondents use an MPS (either direct custody or on platform) for their clients. This is up from 84% last year and further reflects the drop in bespoke service adoption. Of these, 36% do not use a bespoke service. With similar figures to last year (39%), the potential reasons remain the same, which could include:

- There may still be a reluctance among advisers to let discretionary managers become so involved with their clients for fear of losing them. A bespoke discretionary manager will, more often than not, take on responsibility for suitability or at the very least undertake significant elements of knowing the client before a personalised portfolio can be constructed.
- There may be a fear that the DFM may provide a better service. It is up to the adviser to make sure this is not the case.
- The adviser does not have any cases that are complex enough to require a bespoke service, particularly as the breadth and depth of MPS portfolio choice continues to increase.
- The adviser does not have clients wealthy enough to qualify for a suitable bespoke service.
- The adviser still runs an investment advisory service for some clients using either multi-asset or single asset funds.

The answer probably lies in a combination of the above.

Business splits

The results for the breakdown of investment portfolio business are shown in Table 2. There has been a marked increase in business with MPS solutions, in preference to both bespoke portfolio business and advisory business.

We asked advisers to estimate the percentage split of new investment portfolio business their firms had undertaken in the last 12 months (based on current AUM).

Split of investment portfolio business	% investment business in previous 12 months (%)				
	2022	2021	2020	2019	2018
DFM – MPS direct with discretionary manager	17	19	15	15	17
DFM – MPS through a platform	46	31	26	21	20
DFM – Bespoke service	14	26	30	29	31
Advisory	20	22	26	32	28
Other	3	2	3	3	4

Table 2: Breakdown of investment portfolio business

This year, there has been a marked increase in interest in managed portfolio services, either direct with a discretionary manager or via a platform at the expense of both advisory business and bespoke services.

For those advisers who use and are therefore familiar with discretionary management, there has been a drop in the percentage of business done on an advisory basis, which is not unexpected as advisers continue to embrace outsourcing through discretionary management.

Last year we suggested that, with more tailored, innovative retirement plans being available through the bespoke route, we would expect this figure to remain relatively steady and perhaps even to increase. As we have seen, this has not happened, and we have seen a significant fall in business placed with bespoke services. It remains to be seen whether this is an ongoing trend.

Advisory business

For supporters of discretionary management, 20% of their investment business is still done on an advisory basis. Of that 20%, on average 65% is placed using multi-asset funds and 27% is placed using single asset funds (8% marked as ‘other’). This underlines the strength of the ‘outsourcing’ argument. Although multi-asset fund investment is not discretionary investment per se, the asset allocation is nonetheless left to a third-party manager.

As suggested last year, it does look as though building client portfolios on an advisory basis, particularly using single asset funds, is on the wane.

For those taking part in the study:

- 13% of investment business overall is placed with multi-asset funds on an advisory basis. This points to a steady decline over recent years – 16% in 2021, 18% in 2020 and 20% in 2019.
- 5% of investment business overall is placed with single asset funds on an advisory basis. The amount invested overall in single asset funds has, once again, fallen year on year, down from 6% in 2021, 8% in 2020 and 11% in 2019.
- Only 1% of respondents claimed that all their investment business was done on an advisory basis. There are very few advisers that are committed fully to advisory business. The vast majority are adopting discretionary solutions as an investment alternative.

Portfolio size

For the 263 advisers who answered this question clearly, the average portfolio sizes were as shown in Table 3.

Average portfolio sizes	2022	2021	2020
Managed portfolio service through a platform	£228,000	£228,000	£150,000
Managed portfolio service direct custody with DFM	£221,000	£281,000	£190,000
Bespoke service	£563,000	£530,000	£507,000

Table 3: Average portfolio size by discretionary type

These figures can vary year on year, depending on adviser sample and shape of business acquired. However, overall, we have seen a drop in portfolio size of MPS Direct, reverting to numbers nearer those of 2020. MPS on platform is maintained, perhaps as more portfolios overall are being hosted on a platform.

It is also interesting to note that even as numbers of bespoke portfolios drop overall, the size of the portfolios on average continues to increase. This may be a sign that bespoke portfolios are being selected more for need than client preference, if you believe that increased wealth is more likely to mean increased financial complexity.

Investment focus

We asked advisers where their clients' investment focus lay. We asked them to estimate the percentage split between wealth accumulation and decumulation in terms of new investment business placed over the previous 12 months.

For the 286 advisers who answered this question, the average split was 63% of client portfolios focused on wealth accumulation and 37% focused on decumulation, the same split as last year.

Undoubtedly, ESG has been the hot topic over the last couple of years. Last year we reported that we had seen a number of new ESG portfolios being launched and that has continued. We expect the vast majority of DFMs to offer sustainable portfolios of some description and to upskill their investment managers that run bespoke portfolios.

We asked the advisers to estimate what percentage of their current clients have indicated they would like some level of ESG principles to form part of their portfolio selection.

Our prediction that interest in ESG would increase has been borne out. In 2021, 15% of advisers said that 50% or more of their clients would be interested. We have seen this figure increase significantly to 26% of advisers now believing that at least half of their clients would like ESG principles to form part of their portfolio selection process.

Perhaps equally as encouraging, the number of advisers saying that none of their clients would be interested has fallen from 6.5% to 4%.

DFM providers

We asked advisers which DFM providers they have used in the last 12 months.

Chart 1 shows the results for those providers used by 2% or more respondents, excluding those employed directly by a DFM but including those that only access a DFM through a platform. The results from the 2020 and 2019 studies are also shown.

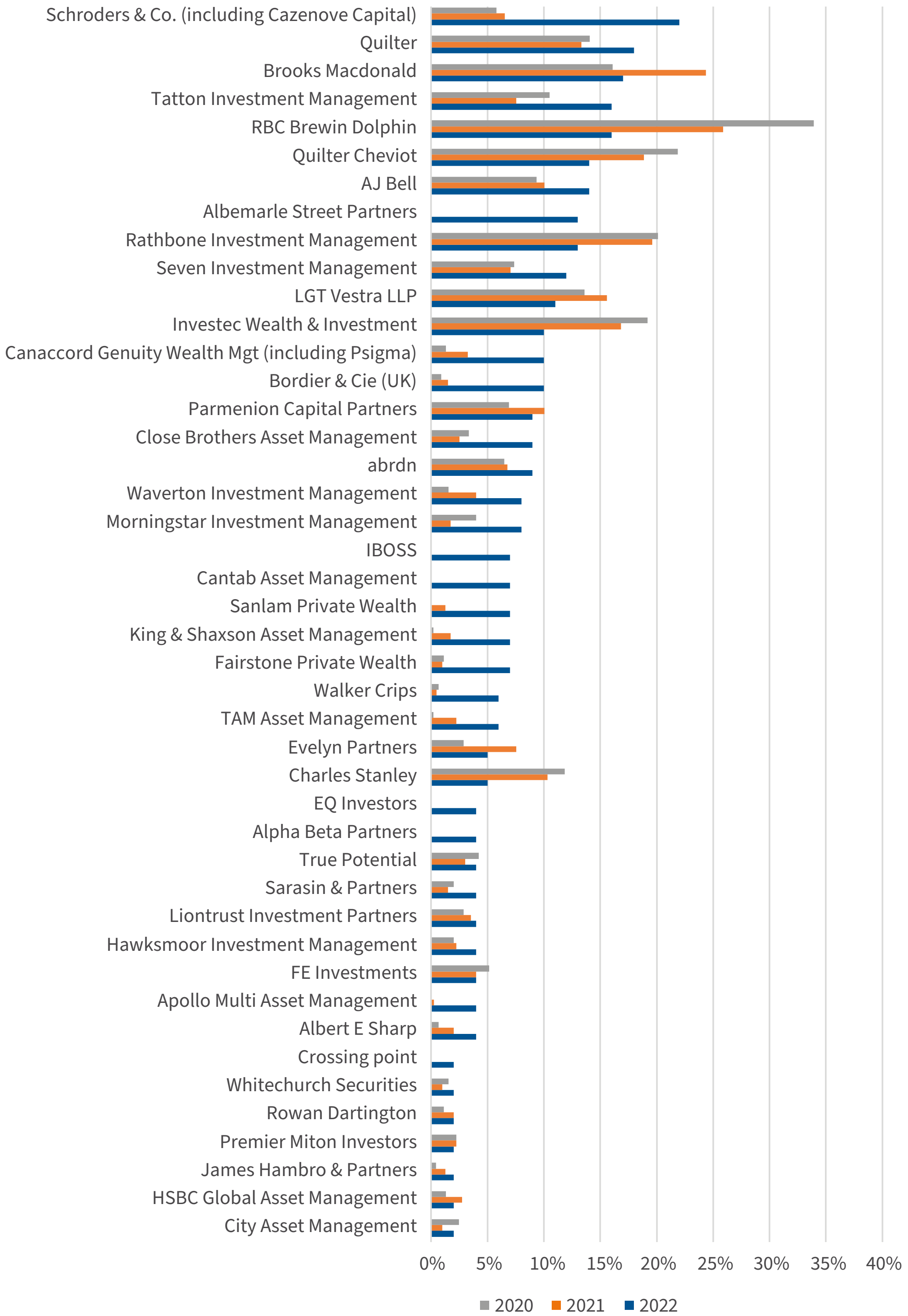


Chart 1: DFM providers used in the last 12 months

On average, advisers are using 3.5 providers for DFM services, considerably up on last year (2.8). Advisers are continuing to offer choice. The shape of the market, however, is very similar to last year, where there are a handful of dominant firms, but with a very long tail. It is noticeable, though, that some firms that were at the bottom of the tail appear to be gaining significant traction.

Preferred DFM providers

This year, for the first time, we are including MPS on platform in our study. This makes the study more whole of market and enables us to rate the firms regardless of solution chosen.

We are now able to determine preferred DFMs for providing discretionary services rather than breaking it down into solution types. In doing this, we make the reasonable assumption that any DFMs that have received business from advisers over the last 12 months will, by definition, be a preferred provider, certainly at the point of recommendation. This means that Chart 1 also becomes the preferred provider chart. Table 4 indicates what solution types the top recommended firms offer (8% response and above).

DFM firm	Bespoke	MPS direct	MPS on platform
Schroders & Co. (including Cazenove Capital)	Y	N	Y
Quilter	N	Y	Y
Brooks Macdonald	Y	Y	Y
Tatton Investment Management	Y	N	Y
RBC Brewin Dolphin	Y	N	Y
Quilter Cheviot	Y	Y	Y
AJ Bell	N	Y	Y
Albemarle Street Partners	N	N	Y
Rathbone Investment Management	Y	Y	N
Seven Investment Management	Y	Y	Y
LGT Vestra LLP	Y	Y	Y
Investec Wealth & Investment	Y	N	Y
Canaccord Genuity Wealth Mgt (including Psigma)	Y	Y	Y
Bordier & Cie (UK)	Y	Y	Y
Parmenion Capital Partners	N	Y	Y
Close Brothers Asset Management	Y	Y	Y
abrdn	Y	Y	Y

Table 4: Proposition types offered by top providers

It is noticeable that all the top preferred providers (except for Rathbone) offer an MPS on platform, which is an acknowledgement that most of the adviser business is carried out on platform.

A total of 19 DFMs received sufficient support for us to create a Defaqto Service Rating this time.

Importance

We asked how important the following factors are when it comes to the service provided by DFMs.

We asked the respondents to say how important each aspect of service is to their business, ranging from 1 'not at all important' to 5 'very important'. From the range of responses were able to calculate an average score and rank the aspects of service in order of importance (see Table 5).

Satisfaction category	Average importance score	
	2022	2021
Quality of staff – investment	4.66 (1)	4.74 (2)
Service	4.65 (2)	4.78 (1)
Investment flexibility – range of assets	4.55 (3)	4.68 (3)
Ease of doing business	4.54 (4)	4.64 (4)
Investment flexibility – range of options	4.53 (5)	4.63 (6)
Existing business administration	4.51 (6)	4.64 (5)
Provider financial strength and resource	4.50 (7)	4.63 (7)
Quality of staff – administration	4.49 (8)	4.62 (8)
Client on-boarding	4.47 (9)	4.58 (9)
Accessibility	4.42 (10)	4.47 (10)
Online facilities	4.36 (11)	4.40 (11)
Quality of literature	4.13 (12)	4.10 (12)
Provider brand	4.05 (13)	4.09 (13)
Remuneration	3.84 (14)	3.78 (14)

Table 5: Ranked order of importance of service categories

There has been little change in the order of importance attributed to the satisfaction categories. However, it should be noted that the importance scores, overall, have dropped for the second year running, albeit marginally. Conditions over the last couple of years have been challenging, but maybe the return to something approaching normality in 2022 has softened advisers' expectations.

Satisfaction

Satisfaction is calculated with reference to scores awarded to the preferred providers for each of the 14 aspects of service in the range 1 – 5, where 1 equates to 'very dissatisfied' and 5 equates to 'very satisfied'.

The scores are aggregated to show the satisfaction levels by provider, by service category and for the industry as a whole.

As respondents are scoring their preferred providers, we would expect the response to be generally positive; however, where lower scores are cast it is potentially a wakeup call to the provider concerned that their supporting advisers are potentially not entirely satisfied with some aspect of their proposition to them.

There is not necessarily a strong correlation between those providers that achieve a large number of responses and a large number of high scores. Advisers choose providers for a number of reasons, not just good service, and while on balance advisers will be satisfied with their chosen preferred providers, there may be individual aspects of service that fail to make the grade.

Industry satisfaction

The index of satisfaction is calculated by expressing the number of above average scores (4s and 5s) as a percentage of all scores awarded.

In Table 6 we show the satisfaction indices for each service category for the industry as a whole. The indices are weighted by the importance accorded each category by the advisers in the study.

Satisfaction category	Importance	Weighted satisfaction		
		2022	2021	% change
Quality of staff – investment	**1**	89%	91%	−2.2%
Service	**2**	86%	91%	−5.5%
Investment flexibility – range of assets	**3**	87%	90%	−3.3%
Ease of doing business	**4**	86%	87%	−1.1%
Investment flexibility – range of options	**5**	86%	88%	−2.3%
Existing business administration	**6**	83%	86%	−3.5%
Provider financial strength and resource	**7**	87%	90%	−3.3%
Quality of staff – administration	**8**	82%	88%	−6.8%
Client on-boarding	**9**	83%	86%	−3.5%
Accessibility	**10**	82%	83%	−1.2%
Online facilities	**11**	78%	76%	2.6%
Quality of literature	**12**	75%	72%	4.2%
Provider brand	**13**	75%	76%	-1.3%
Remuneration	**14**	66%	65%	1.5%
Overall		**82%**	**84%**	**-2.4%**

Table 6: Industry satisfaction by service categories

With the exception of *Online facilities*, *Quality of literature* and *Remuneration*, satisfaction decreased for all categories by, on average, 2.5%.

Quality of literature showed the greatest improvement with a percentage increase of 4.2%.

The largest decline in satisfaction was recorded for *Quality of staff – administration* (−6.8%) and *Service* (−5.5%).

The best performing category was, once again, *Quality of staff – investment* and the worst, *Remuneration*, again as last year.

On the face of it, these satisfaction scores appear a little disappointing. However, the studies in 2020 and 2021 had indicated that the industry had, very impressively, risen to the challenges of the COVID-19 pandemic, with the vast majority of advisers feeling supported by DFMs. We should perhaps not be surprised that this level of support and service could not be maintained. A slight drop off in satisfaction was perhaps inevitable as business makes a return to something approaching normality.

Best performing DFM providers

Based on the satisfaction responses, the DFMs rated most highly in each of the 14 categories of service are shown in Table 7.

Provider financial strength and resource	abrdn Close Brothers Asset Management Investec Wealth & Investment Morningstar Investment Management Quilter Cheviot Schroders & Co (including Cazenove Capital) 7IM TAM Asset Management Evelyn Partners
Provider brand	Investec Wealth & Investment Morningstar Investment Management Schroders & Co (including Cazenove Capital) 7IM TAM Asset Management AJ Bell
Client on-boarding	Investec Wealth & Investment Morningstar Investment Management TAM Asset Management Close Brothers Asset Management Evelyn Partners
Existing business administration	Investec Wealth & Investment TAM Asset Management Close Brothers Asset Management Quilter Cheviot
Investment flexibility – range of assets	Investec Wealth & Investment TAM Asset Management Close Brothers Asset Management Quilter Cheviot Waverton Investment Management Morningstar Investment Management abrdn Canaccord Genuity Wealth Mgt (including Psigma) Quilter
Investment flexibility – range of options	Investec Wealth & Investment TAM Asset Management Close Brothers Asset Management Morningstar Investment Management abrdn Quilter Brooks Macdonald Evelyn Partners
Remuneration	TAM Asset Management Waverton Investment Management
Service	TAM Asset Management Close Brothers Asset Management Quilter Cheviot Investec Wealth & Investment
Online facilities	TAM Asset Management Investec Wealth & Investment Canaccord Genuity Wealth Mgt (including Psigma) Morningstar Investment Management
Accessibility	TAM Asset Management Investec Wealth & Investment Morningstar Investment Management Close Brothers Asset Management Quilter Cheviot
Quality of staff – administration	TAM Asset Management Investec Wealth & Investment Close Brothers Asset Management Brooks Macdonald 7IM
Quality of staff – investment	TAM Asset Management Investec Wealth & Investment Close Brothers Asset Management Brooks Macdonald 7IM Rathbone Investment Management Morningstar Investment Management abrdn Canaccord Genuity Wealth Mgt (including Psigma) Evelyn Partners
Quality of literature	TAM Asset Management Investec Wealth & Investment abrdn
Ease of doing business	TAM Asset Management Investec Wealth & Investment Brooks Macdonald Close Brothers Asset Management Morningstar Investment Management Quilter Cheviot

Table 7: Best performing DFMs by category

The table is dominated by TAM Asset Management, which recorded top performance in all 14 categories and Investec Wealth & Investment, which recorded top performance in 13 out of the 14 categories. Morningstar Investment Management and Close Brothers Asset Management also put in good performances, with top positions for 8 and 9 out of the 14 categories respectively.

Expectations

Chart 2 plots the ranked order of importance for the 14 service categories against the ranked order of satisfaction (unweighted).

Plots to the right of the diagonal line are where satisfaction is high, and expectations are therefore being exceeded; plots to the left are where satisfaction is lower than that warranted by the level of importance.

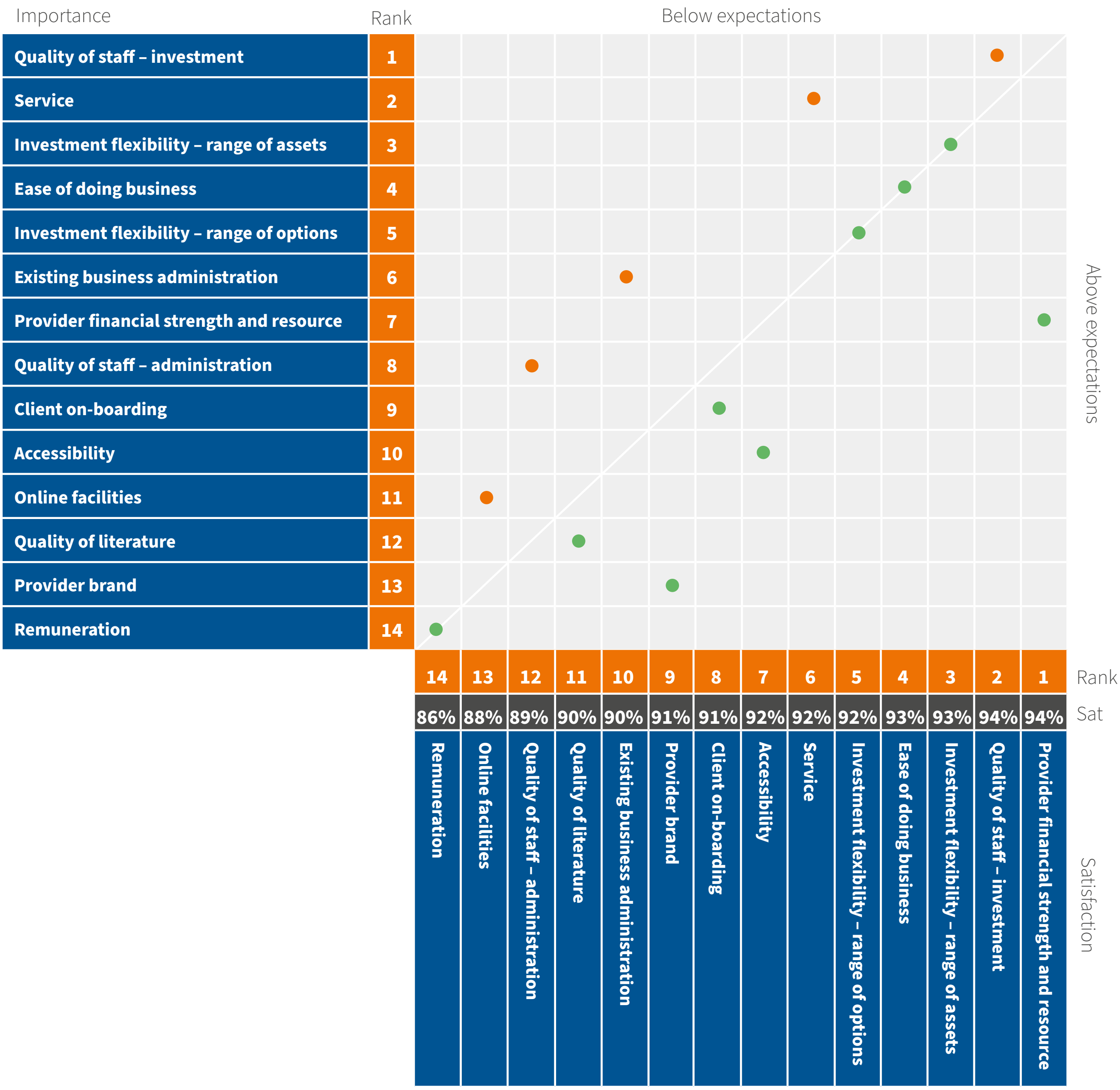


Chart 2: Expectations – cross-match of satisfaction versus importance

The cross-match of importance versus unweighted satisfaction shows a good correlation this time with plots arranged close to the diagonal line. The only outlier is *Provider financial strength and resource*, which is two percentage points above par.

Like last year, 9 out of the 14 categories either met or exceeded expectations. *Quality of staff – investment* was less than one percentage point below par; the other four – *Service, Existing business administration*, *Quality of staff-administration* and *Online facilities* – were adrift by two percentage points.

Overall, despite a drop in satisfaction scores year on year this is a reasonably positive result. While advisers may have 'softened' a bit on what is important to them and may be a little less satisfied overall in the service they have received, it should be remembered that given the circumstances in 2020 and 2021, the service received by advisers was exceptional. This would have been costly in terms of resource and very difficult to maintain, particularly with poor market conditions and resulting prospects of lower fee revenues for 2022.

All that said, it is still a little concerning that *Quality of staff – administration* and *Existing business administration* are among the poorer results. Issues with administration can be frustrating for advisers and tend to disrupt the smooth running of adviser businesses. In turn, this may be the reason for the general *Service* category underperforming.

The message is that DFMs should not be complacent, post pandemic.

Service and due diligence

The results and insights in this document have been collated from a survey among financial advisers and reflect the service and levels of satisfaction those advisers have experienced.

While there is not a direct relationship with the service experience of consumers, there should be a good correlation for clients of adviser firms. It stands to reason that where the adviser is receiving good service, they can be more confident and better equipped to meet client requirements.

This high-level commentary is supported by the detailed scores for each provider listed by service satisfaction category in Defaqto Engage. We do not anticipate that advisers use service scores as the sole measure of suitability, but rather that service scores may feature as one of a number of selection criteria. Advisers should continue to conduct their own research and document their findings before recommending any suitable solutions.

Send us your feedback

Your feedback is extremely important to us and we would be grateful if, after reading this publication, you would take a few minutes to complete a short survey. Your answers will be treated in the strictest confidence and the results of this will help the development of future publications.

The survey can be accessed at:

https://www.snapsurveys.com/wh/s.asp?k=144610976149

About Defaqto

Defaqto is a leading financial information, ratings and fintech business that supports financial institutions, intermediaries and consumers to make smarter financial decisions.

Maintaining the UK's largest financial product database, Defaqto uses proprietary research methodology to develop independent ratings, reviews, insights, and technology that raises industry standards, powers consumer choice, and helps the industry to meet evolving consumer needs.

Building on Defaqto's strong portfolio of ratings, technology and services, 2023 will see major investment in Defaqto's people, products and services to make them mission critical to financial professionals.

Defaqto Ratings

Star Ratings assess the quality and comprehensiveness of the features and benefits for products in general insurance, banking, protection and wealth sectors. They can be viewed in any Star rated product area and added to any research.

Diamond Ratings help segment the funds and portfolios available in each sector because they indicate, at a glance, where funds, fund families and DFMs sit in the market, based on both performance and a range of key attributes, including competitiveness in areas such as cost, scale and manager longevity. You can use them as a filter criterion or use them for fund or DFM comparison.

Service Ratings provide advisers with a simple and unbiased assessment of provider service. Based on advisers' perceptions of the service they receive, providers are rated Gold and Silver.

Risk Ratings use the projected volatility of a fund using asset allocation and historic volatility, based on observed standard deviations, to map a fund to a Defaqto Risk Profile. Risk Profile 10 indicates highest risk and Risk Profile 1 represents lowest risk.

Income Risk Ratings are unique to the market, comparing fund objectives, asset allocations, income and capital volatilities, and maximum drawdown. The Ratings are mapped to four Income Risk Profiles based on the income required and the level of risk. They are: capital preservation, low income volatility, medium income volatility, high income volatility.

Income Drawdown Ratings use the fund's asset allocation and historic returns to assess the levels of sustainable income it can deliver over a given duration, and the likely residual value at the end of the agreed term.

Defaqto Reviews

In response to the growing requirement for advisers to have access to ESG data and fund/DFM research, Defaqto ESG Reviews provide an invaluable resource to assist in assessing funds and DFM MPS from an ESG point of view. With a mixture of qualitative and quantitative data provided in a standard format in Defaqto Engage, advisers can cut through the complexity of ESG to ensure suitable advice.

Also available to advisers through Defaqto's end-to-end financial planning tool, Engage, Defaqto Fund Reviews combine detailed quantitative and qualitative data to produce an in-depth report on not just fund families but also single funds. These can also be used by fund managers to provide more information to advisers beyond the fund factsheet or KIID.

Expert financial planning with no loose ends

defaqto engage

Defaqto Engage

Defaqto Engage (Centra for SimplyBiz users) is our financial planning software solution enabling advisers to manage their financial planning process all in one place.

Our software contains a wealth of product and proposition information to help advisers select a product that is suitable for their clients' needs and evidence their due diligence for compliance purposes. You can see more at defaqto.com/advisers/Engage

The Satisfaction results by category are available within our software. Advisers can use the individual category satisfaction scores (for example, ***new business servicing***, ***existing business administration***, ***online servicing***) during the research process, as one of a number of selection criteria. They can also be added to comparison tables.

Advisers should note that not all providers are rated. To qualify for a Service Rating, providers must receive a minimum number of responses from advisers. So, using any service results in the filtering process may exclude providers offering potentially suitable client solutions from the research output.

We really couldn't create the Service Ratings without advisers – they are different from our Star and Diamond Ratings, which are created by our experts and based on facts, not opinions.

Benefits

- **Save time** – consistent use of client data and profiling saves time doing research, suitability reports and client reviews
- **Save money** – one vs multiple systems check
- **Better client outcomes** – from a robust and consistent methodology
- **More robust compliance** – demonstrate a consistent, repeatable advice process

Additional modules available

Pension Switching – Analyse defined contribution pension switch scenarios

CIC Compare – Compare current and historic CIC contracts to establish which policy has the superior CI definitions

To find out more about Defaqto Engage and book a demo, click here.

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