

How Clients Benefit From Their Advisor's CEFEX Certification.

CEFEX-certified Investment Advisors proudly display the CEFEX Mark. Voluntarily, they undergo annual fiduciary assessments conducted by independent expert analysts. The resulting assessment reports are reviewed by a separate registration committee. This program can be thought of as a sophisticated peer-review system.



The CEFEX Mark

The CEFEX certification ensures that the advisor has prudent fiduciary practices in place and a culture of excellence, supported by documented and structured processes.

Documented and structured processes are more likely to result in investment portfolios that:

- **Are better designed and have lower costs**
Structured due diligence processes force rational investment and service selection, thereby ensuring the best value for the portfolio.
- **Can deal with a wider range of investment conditions**
The investment process is not hostage to market swings. The process anticipates all types of conditions and can rationally account for investment outcomes.
- **Make fewer strategic mistakes**
A well-structured process virtually eliminates deficiencies in portfolio management. The decision rules would not allow it!
- **Better manage client expectations through education, reporting and disclosure**
Disclosure alone is often insufficient to help investors. The fiduciary process leads to a more educated client who can better understand the components of their portfolios. The process should enable greater personalization, based on risk preferences and financial needs.

Benefits to clients:

- **Higher probability of enhanced portfolio outcomes**
Documented, repeatable processes are more likely to generate higher returns over time, because they are not dependent on timing, luck, "in-fashion" or un-substantiated decisions.
- **Increased transparency**
Far too many advisors operate like black boxes. They cannot (or will not) describe their process there by avoiding accountability to the investor. The prudent process has nothing to hide.
- **Increased oversight**
Independent fiduciary assessments supplement the advisor's internal compliance practices and their mandatory statutory regulatory compliance. The rules associated with statutory compliance are designed to constrain bad conduct, but it is impossible to set rules for every situation. Independent fiduciary assessments focus oversight on process, so virtually all situations are covered.
- **Competitive influence**
The CEFEX-certified advisor is earning your business on fiduciary principles. The firm is striving to be the best fiduciary in a crowded market!

The CEFEX Fiduciary Assessment:

- **Validates practices and processes**
Includes review of file administration, information gathering, custody, brokerage, and best execution, using a consistent evidence-based methodology.
- **Assesses structure, systems, support and reporting**
Analyzes the Investment Policy Statement and the due diligence process, comparing the advisors investment line-up to a standard set of fiduciary screens. The assessment also reviews how conflicts of interest, if any, are managed and disclosed.
- **Reviews risk assessment**
Reviews how asset allocation is based on capital market inputs and risk assumptions used by the advisor. How does the advisor manage risk and return characteristics of the portfolio?
- **Samples client files**
Verifies that client files contain the Service Agreement deliverables, records and outputs of the investment management process for the specific client.
- **Is complementary to regulatory exams**
The CEFEX process-based assessment takes a different approach from the regulator's rules-based approach. A background check including regulatory, legal and bankruptcy actions is also conducted.

“Voluntary adherence to a fiduciary process can narrow the gap between compliant and non-compliant behaviour, allowing regulators to focus on significant deficiencies and identify intentional bad behaviour.”

Excerpt from CEFEX presentation to SEC Office of Compliance Inspections and Examinations, Feb 4, 2014.

Investors of all types should mandate the CEFEX certification of their advisors.

For more information on CEFEX, please contact Charles Burger at 412-221-0292, ext. 244 or cburger@cefex.org



CEFOX Centre for Fiduciary Excellence, LLC. is an independent certification organization. CEFEX works closely with industry experts to provide comprehensive assessment programs to promote fiduciary best practices. It certifies investment stewards, advisors, fiduciary advisers (PPA), managers, ASPPA recordkeepers, ASPPA administrators, and support services firms. To learn more about CEFEX, please visit www.cefex.org.

Abele Office Park • 10 Emerson Lane, Suite 801 • Bridgeville, PA 15017 • Tel: 412-221-0292 ext. 244 • e-mail: cburger@cefex.org
2255B Queen St. East, Suite 406 • Toronto, Ontario Canada M4E 1G3