

# The Excellent Advisor: CEFEX Certification Overview for the Transparency Taskforce March 2, 2021



# Introduction

## Carlos Panksep, VP CEFEX

Founding executive of CEFEX in 2006

Managed certification operations for ISO Registrar for 7 years

Personally motivated to make a difference



## Broadridge [NYSE:BR]

A global fintech leader providing communications, technology, data and analytics.

 \$4.5+

**billion** revenue as in FY20

 \$8+

**trillion** in equity and fixed income trades processed per day

 6.7

**billion** customer communications processed annually

 40+

**clients** for managed services in North America

 5

**decades** of experience in the financial services industry

 100+

**countries** in which securities processing is supported

 150

Brokerage firms on our securities processing platforms

 98%

**client revenue** retention rate



## CEFEX mission and vision

The mission of the Centre for Fiduciary Excellence (CEFEX) is to promote and verify excellence in the field of financial advice by assessing and certifying conformity to high professional standards of conduct.

The CEFEX mark signifies that an organization is worthy of trust and confidence.

CEFEX serves investors' interests by promoting and verifying fiduciary excellence and serves certified firms' interests by mitigating compliance and business risks, providing a mark of distinction in the marketplace, and validating conformity to standards that may be required to meet prospective clients' selection criteria.

# Fi360's Prudent Investment Practices

- **Fi360 was a founding member of CEFEX in 2006**
- **Fi360 has trained over 12,000 individuals on it's Prudent Practice standard**
- **20+ Practices, each substantiated in law and regulation, with technical review by the AICPA**

## Guided by eight fiduciary precepts

1. Follow laws and governing documents
2. Diversify to manage risk and return
3. Prepare and follow an investment policy statement
4. Prudently select fiduciary and non-fiduciary service providers
5. Control and account for costs
6. Avoid or manage conflicts of interest
7. Monitor service providers
8. Monitor and assure conformity to fiduciary obligations



# CEFEX Certification is Global

- **Over 250 Organizations Certified in 11 Countries**
  - **Over \$500B in assets managed**
- **Stewards: Plans, Foundations, Government Entities**
- **Service Providers: Investment Advisors and Managers, Recordkeepers, TPAs**



# The Certification Process

## 1. OFF-SITE DATA COLLECTION

CEFEX analyst gathers and formats information

## 2. ON-SITE ASSESSMENT

Verify data and interview key personnel

## 3. ASSESSMENT REPORT

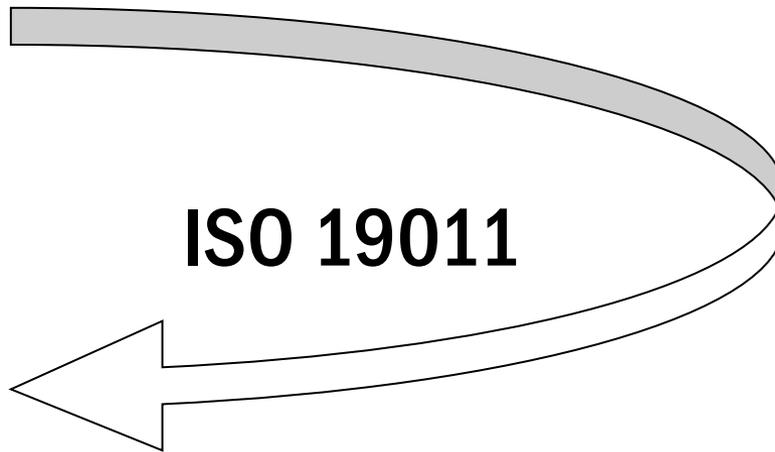
- Findings
- Opportunities for Improvement
- Non Conformities
- Recommendation

## 4. INDEPENDENT REVIEW

CEFEX Registration Committee makes certification decision

## 5. CERTIFICATE ISSUED

Certificate issued to candidate.  
Public viewing at [cefex.org](http://cefex.org)



# Not Invented Here!

- Third Party Audit programs have been in place for years and new ones continue to emerge:
  - AS9100 Certification for Aerospace Suppliers
  - Food Safety Modernization Act (FSMA)
  - World Bank's Impact Investing Principles



Sources: <https://www.sae.org/iaqg> <https://www.fda.gov/food/guidance-regulation-food-and-dietary-supplements/food-safety-modernization-act-fsma>  
[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/development+impact/principles](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles)

## Increasing Awareness

Q: How can I find an adviser who will act in my best interest?\*

“...You can also look for firms with Centre for Fiduciary Excellence certification (CEFEX) at [www.cefex.org](http://www.cefex.org). These firms have agreed to adhere to fiduciary best practices and undergo audits to ensure that they are doing so.”

**Barbara Roper, director of investor protection for the Consumer Federation of America and a member of the Securities and Exchange Commission 's Investor Advisory Committee.**



\* Chicago Tribune, Sep 2, 2019 – from Kiplinger’s Money Power

# Evidence Collected in Assessment

- Documentation

- Investment Policy Statement
- Plan documents
- Service Agreements
  - ERISA 408(b)(2)

- RFP records
- Investment Committee minutes
- Performance Reporting

- Asset allocation strategy

- Due diligence in selecting investment options – Passive/Active
- Implementation of investment strategies
- Custody, brokerage and other service providers
- Monitoring and performance reports
- Participant disclosure per regulation

## Fi360 Fiduciary Score Breakdown

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Inv. Data as of 09/30/20.

### FI360 FIDUCIARY SCORE® BREAKDOWN

The FI360 Fiduciary Score® is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The FI360 Fiduciary Score® Average is a one-, three-, five-, or ten-year rolling average of an investment's FI360 Fiduciary Score®. All Scores are color coded based on the quartile they fall in (1st - Green; 2nd - Light Green; 3rd - Yellow; 4th - Red).

#### Score Criterion

- IN. **Inception Date.** Must have at least a 3 year track history
- MT. **Manager Tenure.** Must have at least a 2 year track history. (Most senior manager's tenure)
- NA. **Net Assets.** Must have >= 75 million under management. (Total across all share classes)
- CO. **Composition.** Must have >= 80% allocation to primary asset (Not applied to all peer groups)
- SS. **Style.** Must have current style box match the peer group. (Not applied to all peer groups)
- ER. **Prospectus Net Exp Ratio.** \* Must place in the top 75% of its peer group.
- A3. **Alpha - Broad Market (3 YR).** Must place in the top 50% of its peer group.
- S3. **Sharpe (3 YR).** Must place in the top 50% of its peer group.
- R1. **Return (1 YR).** Must place in the top 50% of its peer group.
- R3. **Return (3 YR).** Must place in the top 50% of its peer group.
- R5. **Return (5 YR).** Must place in the top 50% of its peer group.

#### Summary Legend

- ✓ Investment meets the criterion
- ⊗ Investment does not meet the criterion
- Investment data is not available
- NA Investment is not screened on the criterion

\* For separately managed accounts, r-squared in the top 75% of it's peer group is used as a replacement criterion for Exp Ratio.

#### LARGE BLEND

INVESTMENT NAME	TICKER	SCORE (PEERS)	SCORE CRITERIA										ROLLING AVERAGES (PEERS)						
			IN	MT	NA	CO	SS	ER	A3	S3	R1	R3	R5	1 YR	3 YR	5 YR	10 YR		
Vanguard Total Stock Mkt Idx Adm	VTSAX	0 (1,299)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0 (1,223)	2 (1,107)	1 (983)	1 (759)

#### LARGE VALUE

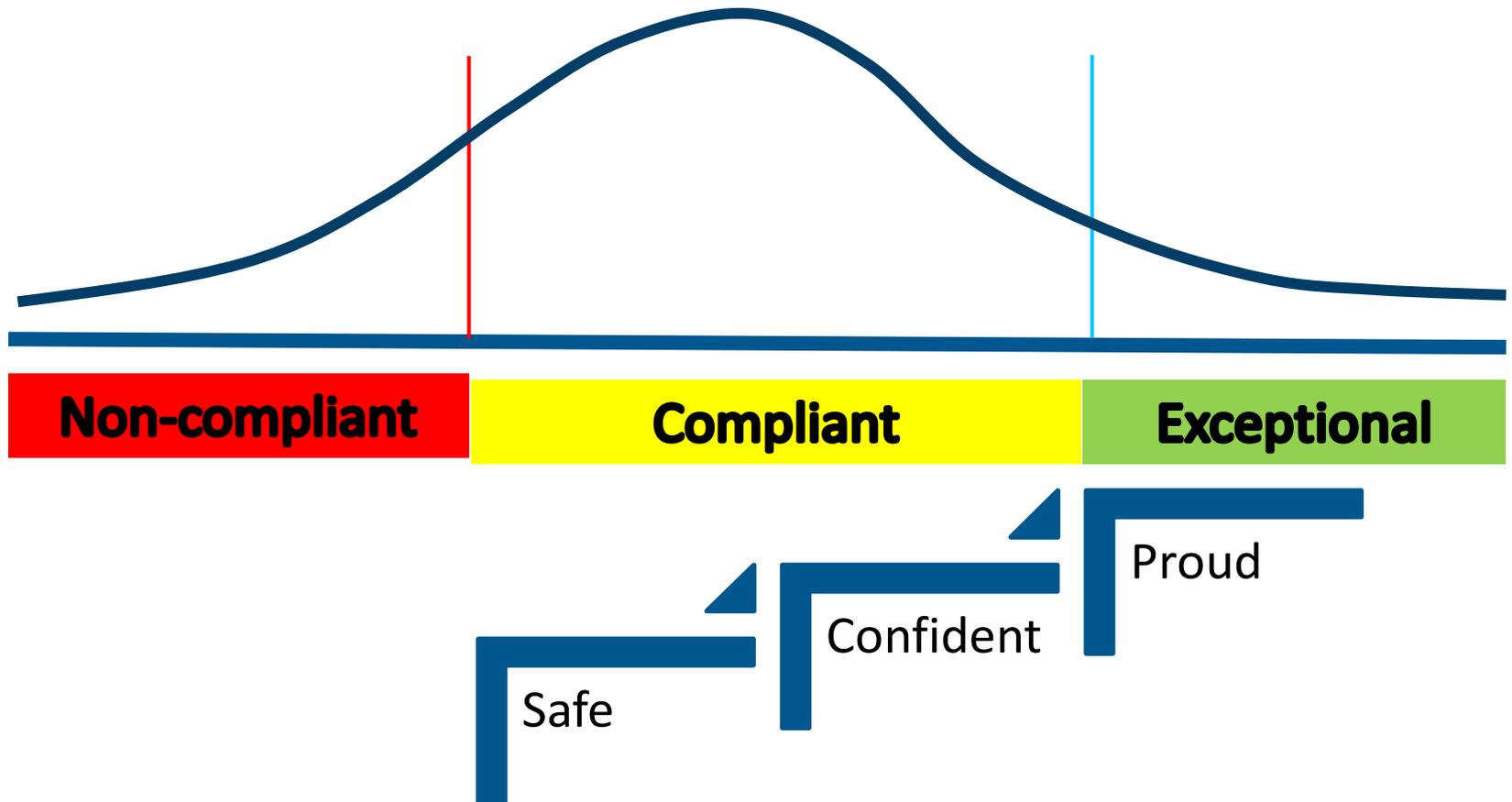
INVESTMENT NAME	TICKER	SCORE (PEERS)	SCORE CRITERIA										ROLLING AVERAGES (PEERS)						
			IN	MT	NA	CO	SS	ER	A3	S3	R1	R3	R5	1 YR	3 YR	5 YR	10 YR		
AMG Yacktman I	YACKX	31 (1,176)	✓	✓	⊗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	35 (1,133)	50 (1,027)	63 (921)	50 (666)

#### MID-CAP BLEND

INVESTMENT NAME	TICKER	SCORE (PEERS)	SCORE CRITERIA										ROLLING AVERAGES (PEERS)						
			IN	MT	NA	CO	SS	ER	A3	S3	R1	R3	R5	1 YR	3 YR	5 YR	10 YR		
FMI Common Stock Institutional	FMIUX	79 (387)	✓	✓	✓	✓	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	61 (367)	47 (314)	-	-

# “Compliant” is not “Exceptional”.

Advisors Should Address Investor’s Hierarchy of Needs



# Advisors Help Increase Awareness of Fiduciary Excellence

Animated Video Plainly Summarizes The Distinction



On CEFEX website: [https://www.cefex.org/Media/  
www.youtube.com/embed/LazrXcuDquk](https://www.cefex.org/Media/www.youtube.com/embed/LazrXcuDquk)

# Observations from Assessments

Originally published on [401kSpecialist.com](https://www.401kSpecialist.com)



1.2 Investments and services provided are consistent with governing documents.  
1.3 Responsibilities of all involved parties are defined and documented.  
1.5 Agreements are in writing and consistent with fiduciary standards.

1.6 Client assets are protected from theft and embezzlement.  
2.6 IPS contains detail to define, implement and monitor the investment strategy.

# Web Branding

## The CEFEX Mark is an independent attestation

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[Individual](#) [Institution](#) [Blog](#) [Overview](#) [Knowledge Centre](#) [LET'S TALK](#)

### Your trusted fiduciary

On your side.

Fiduciary, basically means trusted. You'll get the same advice as our family members. This sounds like common sense but it's practice is extremely uncommon. In fact, AES was the first and remains the only firm in the AMEA (Asia, the Middle East and Africa) region to meet this standard of **excellence**. That's in a population of 5 billion+ people!

Click above to view our certificate

**"The fiduciary standard is about giving you confidence, clarity and control about your ideal future. It's all about you and the standards you should expect from this point on."**

Pippa Miller, Co-CEO, AES International

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## Recognition

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**Who We Are**

**What Makes Us Unique**

**Mission, Vision & Values**

**Locations**

**Our Team**

**Recognition**

- Accounting Today
- Barron's
- Best Places to Work in Illinois
- CEFEX Standards →
- Financial Advisor
- Forbes
- InvestmentNews
- Schwab IMPACT

**Community Relations**

Zero Alpha Group

### CEFEX Standards

The Center for Fiduciary Excellence (CEFEX) is an independent assessment and certification organization with a mission to promote fiduciary best practices in the investment management industry.

CEFEX certification attests that a fiduciary can demonstrate adherence to the industry's best practices, and is positioned to earn the public's trust. This registration serves investors who require assurance that their investments are being managed according to commonly accepted best practices. CEFEX certification verifies that your advisor is working for you!

### How Firms Gain CEFEX Certification

The CEFEX Fiduciary Assessment is an independent risk-based assessment of an organization's ability to meet investors' expectations. Using quantitative and qualitative criteria, it measures adherence to generally accepted fiduciary practices.

Savant has become certified in the following areas through CEFEX:

For Investment Advisors and Investment Stewards

For ASPPA Recordkeepers and Administrators

# Videos

## Videos describe certification



PLANNING INVESTING ADVICE TEAM KNOWLEDGE **ABOUT US** CONTACT

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### CEFEX Certified Fiduciary Financial Advisor



How does an investor find a fiduciary financial advisor? Today it's easier than ever to find an advisor you can trust.

At Mancell Financial Group we've always held ourselves to the most rigorous fiduciary standards with a duty to our clients, but given the history of financial advice in Australia we didn't believe it enough to say: "trust us". We wanted to ensure potential investors had absolute peace of mind they were dealing with an financial advisor they could trust.

In 2016 we submitted ourselves to be accredited as a fiduciary financial advisor with the Centre for Fiduciary Excellence (CEFEX).



Upon completion of that exhausting process, Mancell Financial were **officially certified** by CEFEX in June 2016 as adhering to all their practices and criteria in the conduct of a fiduciary investment advisory business. Mancell Financial became part of an elite group of global investment advisors who successfully completed the independent CEFEX certification process. Today Mancell Financial are one of **only six fiduciary financial advisors in**

**Australia.**

Upon accreditation, General Manager of CEFEX, Carlos Panksep noted Mancell Financial's standards were of the highest quality.

"Through CEFEX's independent assessment, the certification provides assurance to investors, both institutional and individual, that Mancell has demonstrated adherence to the industry's best fiduciary practices." Mr Panksep said.

Importantly, Mr Panksep acknowledged that "this indicates the firm's interests are aligned with those of investors."



Thursday, 30 April 2020

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### CEFEX



CEFEX® is an independent global assessment and certification organization. It works closely with investment fiduciaries and industry experts to provide comprehensive assessment programs to improve risk management for institutional and retail investors. CEFEX certification helps determine the trustworthiness of investment fiduciaries.

CEFEX® provides an independent recognition of a firm's conformity to a defined Standard of Practice. It implies that a firm can demonstrate adherence to the industry's best practices, and is positioned to earn the public's trust. This registration serves investors who require assurance that

### CEFEX



#### Learn More:

- What Is A Fiduciary
- CEFEX® Certification
- CEFEX® Audit
- CEFEX® Advisors
- CEFEX® Benefits
- Benefits of Choosing a CEFEX® Advisor
- Fiduciary Security with a CEFEX® Advisor
- CEFEX® Firms
- Allodium Profile

# Institutions See Relevance Too

## DN Paskenta Nomlaki receives fiscal certification

NEWS > BUSINESS

### Paskenta Nomlaki receives fiscal certification



By RED BLUFF DAILY NEWS |

PUBLISHED: November 11, 2019 at 2:45 p.m. | UPDATED: November 11, 2019 at 2:46 p.m.

On the 25th Anniversary of achieving status as a sovereign nation, the Paskenta Band of Nomlaki Indians was recognized as the first tribal government in California to receive certification from CEFEX, The Centre for Fiduciary Excellence, for investment fiduciary practices that adhere to a global standard of excellence for Investment Stewards.

The event took place Nov. 2 at Carlino's Event Center at Rolling Hills Casino where Blaine Aikin, executive chairman, awarded the tribe with a plaque of recognition. The certification represented a dramatic five-year turnaround to re-establish best fiduciary and investment practices after former predatory leadership misused the tribe to run a fraudulent scheme to extort millions of dollars.

"The tribe has worked hard, for the last five years, to build a transparent, democratic and representative tribal government that works for the benefit of all members," said Tribal Chairman Andrew Alejandre. "Sending these former officials to jail for their corruption significantly assists in that process."

