

CHOOSING AN INVESTMENT CONSULTANT

Questions to ask



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Before reading this article, we suggest you read the document “Differences between Investment Consultants”, it should help to ensure your shortlist correctly matches your needs.

GENERAL

- What is your minimum client size and the average client size?
- What is your Corporate Structure?
- Who is your regulator?
- Would my assets be protected by this body?
- What insurance / professional indemnity insurance do you have?
- Do staff invest in the managers the firm proposes?

INDEPENDENCE

- What is your policy when receiving Corporate Hospitality invitations from Investment Managers?
- Do you receive any front end / annual referral commissions from Investment Managers?
- Do you negotiate all and pass the savings to our account?
- Will you research Investment Managers of our choice and not just your own selection?
- Do you promote / sell any of your own funds or products?
- Do you have any Directorships/ shareholdings with financial related institutions?
- What other services or products do you provide?
- How are your staff remunerated between short and long term goals?

SECURITY

- Do you have power of attorney, custody or control of our assets?
- If Yes – please state:-
 - Your credit rating
 - Your custodian’s credit rating
 - Your Professional Indemnity Insurance
 - Your back/middle office team size
- How many staff do you employ?

INVESTMENT PROCESS - TOP DOWN

- Do you allocate assets regionally or globally?
- Would you advise us to change our exposure if you felt a major event or structural change was about to begin or would you rely on the investment manager?
- What asset classes will you provide advice on? Bonds, Equities, Cash, Commodities, Hedge Funds, Property, Private Equity, Art?
- Do you invest in funds or with investment managers?
Process – Bottom Up
- Where do you invest most effort?
 - Quantitative – Performance Analysis % ?
 - Qualitative – Interviewing Managers % ?
- How many Investment Managers will you review?
- How often will you visit the Investment Managers?
- What type of Managers do you prefer? Style, country or process?

SERVICE

How many clients does each relationship manager look after?

What comfort can you provide that our relationship officer will not leave or be changed in the near future?

How often can I expect a visit from my relationship officer?

PEOPLE

How many people do you employ specifically in the Consultancy role?

What are their job descriptions?

What has been your staff turnover in the last three years?

What succession plans exist for key staff?

REPORTING

Please provide an example of your client reporting?

Will your reports include private assets such as property, forestry, art, and collectables?

Will your reports include analysis and commentary on managers not included in your core list of managers?

FEEES

How do you charge for your services?

- Percentage per annum
- Time Spent Fee
- Fixed Fee per service

Do you have an up front fee?

What is your minimum charge?

Do you have a performance fee?

How do your fees compare with your competitors?

PROCESS PERFORMANCE

How would you describe your approach adds value?

If you will not / can not please explain why?

Please explain what performance expectations we should have?

OVERVIEW

What makes your firm distinct from your competitors?

What would the Investment Managers say about your process?

Could we take references or talk to existing clients?

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