

# CHOOSING AN INVESTMENT CONSULTANT

What are the main differences?



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### GENERAL

There are significant differences between the various types of Investment Consultants, which wealthy private clients can take advantage of. These qualities may vary between the ownership structure, investment process, independence, reporting to name but a few areas.

We have suggested below some key differences between consultants which, combined with our check list of 'Questions to ask a

Consultant' also provided on this website, should provide the private investor with a good tool box to select their consultant. We hope this will increase the likelihood of clients choosing the right consultant and by making this free to all, fits in with our mission:

*'to improve the experience clients have in the management of their wealth'*

### COMPANY STRATEGY AND VALUES

The vision that the company has for the development of its business and its values is essential to understand where you, the client, will fit into the consultant's future.

Some firms wish to offer many different consulting services including providing performance reviews, training as well as wealth advisory; others also have their own fund or discretionary service whilst some keep to their core values offering just wealth consulting. Each approach has strengths and weaknesses and it is important to know what you feel would best suit your needs?

Very few companies have 'Values' which bind a company's business ethos and the decisions that are taken. These 'Values' should align

to your beliefs and you should look to see whether they are applied consistently.

For example, many firms claim to put their clients' interests first and yet their reporting may not be transparent or they may keep management fees, which could be passed back to the client.

*Peritus Investment Consultancy only provides high net worth clients and trusts with a wealth advisory service. The company will never sell products or move into areas such as banking, fund management or other financial services areas, which would call into question our independence and 100% focus on investment manager monitoring, selection and allocation.*

### OWNERSHIP

In theory, whether a company is privately owned or fully or partially controlled by a third party, should have little effect. However, the interests of the client, employees and shareholder often create different biases depending on ownership.

Private Companies are more likely to take a long term view when investing in staff, technology or building relationships. Public Companies may be forced to take short term, knee jerk decisions to satisfy budget and shareholders' expectations.

However, the desire to sell a Private Company could create similar pressures and understanding the motivation and values of each firm is important to understand how you, the client, will suit each firm in the long term.

*Peritus Investment Consultancy is privately owned with all employees having the right to earn equity in the company and to become partners in the future of the company. The partnership structure ensures that there can be continuity of ownership without the necessity to take short term decisions or forget our true shareholders – our clients.*

### TARGET CLIENT

Consultants are no different from any other firm, in that they have minimum asset values that they desire. It is vital to know this as some firms will accept clients below their minima and only later would you establish that the service or quality of account construction falls below your expectations.

*At Peritus Investment Consultancy, we care for relationships between £2m - £50m and we will assure you that your relationship officer will never be changed except upon your request. Our clients come from every walk of life, though the main binding element is the desire of our clients to receive impartial advice with strategic asset allocation, manager selection and monitoring based on their needs and not a sales goal.*

## RELATIONSHIPS

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In the day and age where service should mean everything, the nature of your relationship with the firm is essential. How often you will be visited and contacted is important, as is flexibility of the investment process to suit your needs.

How many clients a relationship officer is responsible for, is vital in knowing whether you are valued or not. It is also important to know whether you will remain with your relationship officer in the future. How this person is rewarded will give you a good

feel how much they are motivated to look after you.

*We visit our clients at least twice a year and meet as often as is desired. We like to remove the mystery involved in selecting good investment managers and we enjoy working with any members of the family who wish to understand more about their investments. This has led us to provide informal training sessions with younger family members to help them gain confidence in the world of finance.*

## STAFF AND RETENTION

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In a service world, it is imperative to know that the people who look after your funds will still be with the firm in the future. There are no guarantees but asking questions about staff turnover and remuneration policy is not rude but fair, given the relationship you wish to build.

For example, staff that own equity or are partners in a business are more likely to have a long term ethos in building a relationship with you and remain with the company.

Staff background is also important as ideally, you would be looking to see a team of industry practitioners who have hard won experience

and a high level of skills in the areas they are responsible for.

*There are no guarantees but we feel, at Peritus Investment Consultancy that by having an partnership and equity culture we should be able to retain the people that matter most, your relationship manager and key investment employees. The universal trait that all our relationship managers possess is that they did not enjoy the sales and target driven nature of their previous roles and relished building trust through a loyal and dedicated service to their clients. All our employees are industry practitioners and as such have hard won experience, skills and knowledge about the various techniques used by managers to successfully manage money.*

## CONSULTANT OFFERING

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It is important to distinguish between the various types of consultant offerings. Many firms will not consider managers other than those on their core list. Many only review limited asset classes. Some only recommend funds and are little different from a Bank.

*Peritus Investment Consultancy will consider all asset classes such as equities, bonds, private equity, commercial and residential property, forestry, hedge funds and any asset class, which, for the client, matches their risk and return profile.*

## INDEPENDENCE

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A firm, which has full or partial ownership with another institution such as firms more closely aligned to Banks or Investment Managers, are less likely to have the same values as a full independent consultant.

Trail / Rebate Fees - if taken may bias a Consultant away from the most suitable managers. See Fees.

*We are completely independent and have no affiliations, tied arrangements or partnerships with external providers. Similarly, no member of staff would take a directorship in the financial services industry or in any related industry, which might call into question our passion for impartiality and independence.*

## FEEES

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Fees should be transparent and quantifiable to the client and will normally be charged on a time spent or ad valorem basis. Some firms receive rebate or trail fees which are a clever way for a Consultant to disguise the true cost of their services particularly when instead of passing fee reductions or institutional incentives back to the client, some Consultants keep these fees. These fees

could be used to reduce a client's costs and enhance performance.

*Peritus Investment Consultancy uses its purchasing power to negotiate all fees on behalf of their clients and passes back every discount in full. This ensures we focus on finding the best investment managers and not the best hidden commissions!*

# INVESTMENT PROCESS - TOP DOWN

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Top Down – This refers to how the Consultant determines the best allocation between Investment Managers. It is a complex subject and involves risk management and finding the optimal mix of managers so that returns are optimised for a set amount of risk being taken.

It is important to understand what type of asset classes and investment manager styles a consultant prefers. Their opinion, culture and investment philosophy can have a material impact

on the risk and returns you will receive.

*Peritus Investment Consultancy does not believe that any single asset class or investment style is the perfect one for a particular strategy as markets and the world is a dynamic and volatile place. Managers need to be chosen, which can adjust to this volatility and Peritus seek to optimise returns through the managers they choose whilst managing risk very closely.*

## REGIONAL ALLOCATION

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One key area to watch out for is where a Consultant allocates between countries. In other words they choose Japanese, US or European manager and mix them together. This approach is little different from a Bank or Investment Manager using their 'Open Architecture' manager selection programme to do the same thing and as such you should also include Banks and Investment Managers in your selection Universe.

*Peritus believe that if the best managers in the world find it hard enough choosing sectors or country allocation, why would we try to claim we could do it better. We therefore look for excellent managers who have exceptional talent in asset allocation and stock, fund selection.*

## MANAGER SELECTION

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It is vital to understand how each Consultant chooses the managers they propose.

Some firms place most effort on 'Quantitative' analysis. This is the review of past performance and from it the style and risk profile of a manager. Whilst this helps to identify consistent managers it tells you nothing of how the assets will be managed in the future.

'Qualitative' analysis involves more effort as it takes human time to visit the managers and understand soft factors such as the team, process, strategy, philosophy, remuneration and other factors involving the management of the assets. With good research, this should help determine if the process is robust and the results repeatable.

*Peritus Investment Consultancy applies 25% of its effort to review and understand the 'Quantitative' performance characteristics of each manager. We look at the consistency of the results, what style the manager has applied and whether there have been any shocks to the results.*

*We then invest the majority of our time 'Qualitatively' at the offices of the manager understanding every aspect of the group, team and management approach to determine if the manager could repeat the results in the future. By blending the two research styles we believe we have a far higher chance of selecting good managers, which can repeat their performance in the future.*

## SUMMARY

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This guide is intended to help you to make an informed choice on your Investment Consultant. We hope we have also briefly explained some of our features, which will suit clients who are looking for an impartial, independent Consultant who cares

passionately about good manager selection and risk management. Equally, we will suit those who long for tailored service, personalised consolidated reporting with a relationship manager who is for life and does not have a product to sell.

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