

CHOOSING AN INVESTMENT CONSULTANT

What are the main differences?



Investment Consultancy

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.

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.

By making this document available to all it fits within 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 software, 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 retain fees from the investment community.

Peritus Investment Consultancy only provides high net worth clients and trusts with a wealth consultancy 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 complete 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 loyalties depending on the ownership structure.

Private Companies are more likely to take a long term view when investing in their team, technology or building relationships. Public Companies may be forced to take short term, 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.

RELATIONSHIPS

In this 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 the flexibility of the investment process to suit your needs.

How many clients a relationship officer is responsible for, is vital in knowing whether you will be 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 what their motivation will be.

We visit our clients at least twice a year and as often as is desired. We like to remove the mystery involved in selecting good investment managers and we enjoy working with all 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

In a service driven world, it is essential to know that the people who look after your hard earned assets 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 client consultant and key investment employees. The universal trait that all our client consultants 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.

CONSULTANT OFFERING

What services a firm offers helps guide you whether the firm is focussed or diversified across many revenue streams. For example a range of services might cover Private Client Investment Consultancy, Investment Manager Consultancy, Discretionary solutions, mutual fund management, insurance and pension sales as well as treasury, cash management. Even performance monitoring may also be sold to the Investment Managers. Many solutions overlap with the very industry they are reviewing.

Peritus Investment Consultancy avoids all conflicts and overlap by only offering investment consultancy solutions to private, trust and family offices. We also offer performance and risk solutions to the same clients but do not over any services to the investment industry.

INDEPENDENCE

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.

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 any other industry, which might call into question our passion for impartiality and independence.

FEES

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 indirect 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 clients total 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 revenues.

We also report the full MIFID II fees for all investment managers demonstrating full transparency.

INVESTMENT PROCESS - TOP DOWN

This refers to how the Consultant determines the optimal allocation between Investment Managers. It is a complex subject and involves risk management and finding the optimal mix of investment 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 have a proven long term strategy who maintains a disciplined approach through market cycles and volatility.

REGIONAL ALLOCATION

One key area to watch out for is where a Consultant allocates between countries. In other words if 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. Here a consultant is little different from an investment manager.

Peritus believes 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 investment managers who have exceptional talent in asset allocation, stock, fund selection.

MANAGER SELECTION

It is vital to understand how each consultant chooses the managers they propose. Some firms place most effort on "quantitative analysis". This is a review of past performance from a style and risk profile of a manager. While 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, investment 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 results repeatable.

Peritus applies less than 25% of its effort to view and understand the "quantitative" performance characteristics of each manager. We look at the consistent results, attribution of their style and whether there have been any events impacting the results.

The vast majority of our time is spent on "qualitative" analysis at the offices of the investment manager, understanding every aspect of the group, team and management approach, determining if the manager could repeat results in the future. Very few investment institutions invest heavily in that process and we are looking for those which have a passion for investing, a proven pedigree and an intellectual hunger to improve every day. By blending the two main areas of research we believe we have a far higher chance of selecting good managers which can repeat their performance in the future.

SUMMARY

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

an impartial, independent Consultant who cares passionately about good manager selection and risk management.

For more information please contact
James Day on 00-41-43-229-4483
or email james.day@peritus.ch



Investment Consultancy

Peritus Investment Consultancy
Walchestrasse 23, CH - 8006
Zürich, Switzerland