

Welcome



Welcome to the latest edition of the Peritus newsletter intended for our Trust and Private Clients around the world.

James Day

Investment Monitor

Edition 6

Peritus Services

- Performance and risk monitoring
- Portfolio manager selection
- Investment Consultancy

For high net worth individuals and fiduciary structures.

Cape Town and Geneva Conferences – CPD Training

We will be hosting our Autumn Cape Town conference on the 16th November. In addition, our Geneva conference will take place in the usual venue of the Four Seasons Hotel des Bergues early in 2012.

If you would like to attend any of these conferences please let us know or if you would like to have a tailored presentation on subjects such as:-

- Quarterly Market and Investment Manager Overview
- Investment Risk Management – A Trustees Perspective
- Investment Consultancy – An industry guide

Please contact james.day@peritus.co.uk

Looking to work in a Low Tax, High Quality Environment? Business Development/ Relationship Manager Position

We are expanding our team and wish to hire a motivated individual with robust business development and relationship management skills. The successful candidate will support our Swiss and South African development plans.

Applicants should send their details to greg.wikstrom@peritus.co.uk

E-Mail Delivery

If you would prefer to receive our newsletter by e-mail, please let us know at james.day@peritus.co.uk. Equally, if you know of other people who wish to receive a copy, we would be glad to hear.

www.peritus.co.uk

BRIBERY ACT 2010 – GIFTS AND HOSPITALITY

One thing is clear about the act is that the receipt of 'hospitality and gifts' will have to be handled very carefully in the future.

It would not surprise you that Investment Consultants are courted by Investment Institutions to place business with them and invites to corporate events, lunches and gifts are commonplace.

Peritus views its impartiality as intractable and since inception has had very strict policies and procedures on this subject. The message is simple, that our employees cannot be influenced by generosity from the investment industry. What does this mean in practice?

Gifts

- Below £50 may be accepted and must be declared
- Above £50 are auctioned for charity

Dining Events

- The expense is paid by Peritus

Hospitality

- Paid in full by Peritus or a donation is given to charity

Our Analysts and Client Consultants may accept any invite or receive hospitality as often key people attend and it provides a good environment to learn more about the human side of the investment business. However, every form of hospitality must be paid for by Peritus.

The message we send is clear, that our process and employees cannot be influenced. We would suggest that you ask the same questions of all Consultants, Protectors and Gatekeepers as perhaps their choice of Investment institution is not driven by merit alone. ●



“There is hardly anything in the world which someone can't make a little worse and sell a little cheaper – and people who consider price alone are this man's lawful prey”

John Ruskin

*“The free market punishes irresponsibility;
government rewards it.”*

Harry Browne

RDR – WILL IT HAVE AN IMPACT ON ME?

As an Investment Consultant, we constantly monitor the changes in business models of the Investment Industry. 2013 will see the biggest shake-up of the UK Financial Services Industry in many years when, after a long period of consultation, the Retail Distribution Review finally comes into effect. This will radically alter the structure of the UK IFA market place, potentially affecting 15,000 Independent Financial Advisors and £50 billion in assets under management.

RDR seeks to create a new level of transparency by abolishing the current system of incentivising practitioners through trail fees or retrocessions. IFAs will, in future, have to demonstrate that they merit these fixed/ad valorem fees through the ongoing monitoring, review and profiling of their clients' investment affairs.

However, funds invested through platforms or 'wrapped' inside other products will still be able to use rebates to pay advisors and there is a

concern that this will result in an unlevel playing field between 'unwrapped' funds and those bought via platforms. The latter providing less transparency and potentially resulting in increased costs and competition distortion.

Many advisors are moving towards a platform or fund supermarket model and it will become very difficult for investors to know what represents fair value. In our view, for firms which have UK based clients, only a truly independent Consultant or Advisor, who charges an ad-valorem or time spent charge will be able to provide advice which meets with the desired objectives of the FSA.

These changes will clearly have an impact on many financial service providers but how will it affect the Investment Consultancy Industry? For Peritus there will be no impact at all as we have taken our independence and transparency very seriously but for other Investment Consultants who receive retrocessions the impact could be material. ●

*“A safe investment is an investment whose dangers
are not at that moment apparent”*

Lord Bauer

IT'S ALL ABOUT THE PROCESS!

Our decision to entrust a client's money with an Investment Manager is based on many criteria and constitutes the outcome of an elaborate and structured process. The quality of their investment process is one of the most important points when evaluating a manager's pedigree and their prospect of delivering superior risk adjusted long term performance.

An investment process differs for every Manager but it is essential that every process not only be adhered to but also be consistent with a manager's investment philosophy. Nevertheless, in our view investment processes also share a number of commonalities or guiding principles.

Communication and a manager's inability to convincingly lay out the creation and structure of their investment process will be a negative facet. Ideally, an investment process should be proven, structured and repeatable. The process should be reviewed regularly to ensure that it continues to live up to its objectives.

Change of process if it undergoes a gradual and well thought out evolution, which are driven by the intention to improve and adapt the process to a structurally changed market environment can also be a positive.

The Peritus process must stand up to the same scrutiny. The Peritus investment process differs in a number of important points from the one of a typical asset manager. Notably, we evaluate and select human beings whereas the typical investment manager invests in tradable securities.

Deliberately we employ a mix of different Investment Managers and investment approaches to achieve diversification and oversee accounts with bespoke risk and return profiles.

At Peritus, vast resources are allocated to deep analysis of Investment Managers with one key goal, namely the identification of early warning signals that provokes action when issues are material. The qualitative due diligence process is critical to ensure that the good are maintained, the bad replaced and the ugly avoided! ●

THEMATIC INVESTMENT AND WHAT IT REALLY MEANS

Whilst the term 'Thematic Investment' is frequently used by many exponents of the financial industry, these strategies remain 'niche or satellite' to other well known styles such as 'Value', 'Growth' or 'Contrarian' despite a long track record and robust performance. It seems worthwhile to clear up some common misunderstandings and to distinguish the concept of pure 'Thematic Investment'.

In theory, a 'Thematic' approach aims to identify powerful long-term trends, based on qualitative and academic research, for example, climate change, scarcity of resources or obesity trends. A quantitative screening methodology is then applied to find attractively valued securities. The key to the strategy's success is therefore closely linked to the investment manager's ability to find exclusive, consistent, long-term focused themes which then can be populated with companies offering attractive valuations.

In practice, these strategies offer both a reduction in overall risk due to their uncorrelated investment approach and return enhancement due to their increased exposure towards smaller capitalised or stronger growth companies. However, we have seen a large return dispersion in the performance of 'Thematic' strategies, which mainly resulted from unconstrained investment approaches but could also from many manager's inability to identify risks arising from the thematic approach.

In Summary, 'Thematic Investing' compliments a traditional investment portfolio but as with every Investment Manager we would always recommend a thorough review of the underlying 'Thematic' process as well as the manager's ability to manage risk, prior to investment. ●

*“I wish Karl would accumulate
some capital, instead of
just writing about it.”*

Mother of Karl Marx
