

# Investment Monitor

Edition 9

## Peritus Services

- Performance & Risk monitoring
- Portfolio Manager Selection
- Investment Consultancy

For high net worth individuals and fiduciary structures.

## Team developments

The Peritus team continues to grow.

This quarter our quantitative and qualitative analysis have both been bolstered as has business development and client service.

On the research side, we have been joined by Daniella Cereghetti and on the sales and marketing side by Chris Wadsworth. Each bring many years of experience within the industry.

Further new hires will be announced in our next edition.

## Jersey International Air Display 2015

Peritus are proud sponsors of the Jersey Air Display. The event, which takes place on Thursday 10th September 2015, is free to the general public and so such support helps to cover the cost of the event, with any surplus being paid to the Royal Air Force Benevolent Fund. For more details, please look at [www.jerseyairdisplay.org.uk](http://www.jerseyairdisplay.org.uk)

[www.peritus.co.uk](http://www.peritus.co.uk)

## DOES PERFORMANCE MONITORING ADD VALUE?

Performance monitoring is a powerful tool for trustees and clients alike. First and foremost, unanticipated changes in your manager or bank's performance or its volatility when compared to a benchmark, peer group and other agreed objectives can be highlighted and evaluated.

Secondly, performance monitoring ensures that all client accounts are reviewed with regularity and consistency and, by treating all client accounts the same way, potential conflicts of interest can be avoided.

Monitoring performance in such a systematic way allows a trustee to identify underperforming investment managers and to initiate a more detailed review if necessary.

Statistically speaking, evidence shows that correctly applied performance monitoring reduces your litigation risk and reduces the number of poor investment managers engaged. It delivers a higher risk adjusted return to your clients. In addition, it ensures a more active dialogue with those clients, improves risk profiling and assists in the understanding of investment objectives.

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*"We love to imagine that with an Internet connection and a few minutes of spare time, we can go head to head with full time professionals. Sadly, this is ludicrous. We can't compete on the PGA Tour after hitting a couple of buckets of range balls..."*

- Time Magazine

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## THEMATIC EQUITY INVESTING

As an investment consultant, we review investment managers with a wide array of approaches and methodologies. Thematic investing is one such way used by investment managers to analyse the investment universe and to source investment ideas. At Peritus, we believe that a theme driven strategic allocation can be complimentary to other styles and approaches.

Investment themes may best be described as topics on political, cultural and demographic changes that reflect and capture trends that are developing and transforming the world. They are identified using deep macro economic research and blue sky thinking. An example might be the implications of an aging population.

The thorough due diligence taken by an Investment Consultant is intended to review every aspect of a thematic process. Potential risks need to be considered, for example an exaggeration of momentum investing or perhaps a concentration either geographically or at a sector level.

Thematic investing adds a new layer of due diligence as the investment consultant needs to dig deeper and evaluate the theme, its reasoning, implementation and approach to risk. Whether the portfolio benefits from thematic investments entirely depends upon the overall skill set of the manager, their process, tools, style and ability to add value.

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*“One of the greatest pieces of economic wisdom  
is to know what you do not know.”*

**- John Kenneth Galbraith**

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## IMPARTIALITY: DOES IT MATTER?

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As investment consultants, impartiality is something that we should be able to demonstrate clearly and unequivocally, but why should it matter? In an ideal world, investment manager selection should always be unbiased, based on the performance and merits of the institution and not driven by client bias, business referrals or fee rebates. By adopting impartial selection criteria, a Consultant can clearly demonstrate the steps taken in their process and the objective methodology behind the selection.

A good Consultant should be open and willing to consider any type of manager, no matter what their size or location. Such an unconstrained view of the investment world

allows the consultant to consider smaller boutiques and contrarian approaches which might be overlooked by those who have a more rigid or less transparent approach to their manager selection.

At Peritus Investment Consultancy, we have found that adopting an impartial stance has enabled us to identify excellent managers at an early stage and to participate in their success whilst the firm is exhibiting a rapid growth phase. It has also meant that we can be completely open in our approach, giving our clients access to boutique and niche strategies whilst still allowing us to maintain strong relegation criteria.

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*“Government is like a baby. An alimentary canal with  
a big appetite at one end and no sense of responsibility at the other.”*

**- Ronald Reagan, 40th US President, 1981**

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## CHOOSING AN INVESTMENT CONSULTANT

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In order to truly have confidence in your Investment Consultant, there are a number of key characteristics to look out for. Independence and impartiality are often quoted but your consultant should also be robust with a well staffed manager research and analysis team. They should offer a weight of investment industry expertise and be able to easily demonstrate their ethical approach by being single focussed upon only one client segment.

Your consultant should be relationship driven, able to bring their purchasing power to bear and negotiate fee reductions on behalf of clients. Indeed, an investment consultant who has the capacity to be responsive to client needs should be able to tailor its services and its material, be available for face to face meetings as often as needed and be willing to go the extra mile when required. Your investment consultant should be your trusted mentor with all that that entails; confidentiality, dedication, skill and expertise.

## THE INTERNAL / EXTERNAL DEBATE

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In theory, Performance Monitoring services could be provided by an independent third party or by an internal team equipped with the necessary staff and IT systems. However, based upon our experience, almost all firms decide to outsource.

When compared to an external provider, the ‘in-house’ team usually suffers from a lack of the necessary independence from trustees. It also requires a level of resourcing in terms of human resource and IT which is costly to build and maintain.

In comparison, an external provider will be able to take advantage of economies of scale and to offer performance monitoring services materially below the costs of an internal solution. Moreover, whenever investment expertise is required for deeper interpretation of performance or analysis of a particular manager, the ease of being able to tap into the knowledge of the external provider can be invaluable.

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*“When circumstances change,  
I change my view.  
What do you do?”*

**- John Maynard Keynes**

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