

# INDEPENDENT INVESTMENT REVIEW

March 2018





## What is an Independent Investment Review?

Evaluation of current and/or prospective investment professional offerings:

- Tailored to high net worth (HNW) investors
- Assists to ensure the safety of investor capital
- Dissects all fees, including those that are hidden
- Analyzes the returns of each investment product and brings to light whether the performance justifies the higher fees paid as compared to a passive strategy



## Why Perform an Independent Investment Review?

- Many investment industry practitioners primarily sell products to their clients based on how profitable they are to them personally.
- In some cases, sales are made even if these very same products are of low quality and/or represent a misalignment with the client's investment return and risk objectives.



## Why Perform an Independent Investment Review?

- The main goal of investment professionals is to maintain their clients' assets under their management so that they can continue to earn attractive management fees.
- The asymmetry in investment knowledge gives them an advantage when providing updates to their clients.
- They avoid discussing areas that could put in jeopardy their investment mandate with you.



## Examples - Fees

- **Mutual Fund** management expense ratio (MER) fees are paid by the investor and are typically not made to be transparent on the client's statement.
- **Pooled Funds** have a small MER that is also not transparent.
- **Custodian Fees** are sometimes included in the management fee though they are sometimes not included.
- **Trailer Fees** are an annual service commission paid by the mutual fund company to the mutual fund sales representative. These fees generally range between 0.25% and 1% and are paid out of the fund's management expenses.
- **Structured Investment Products** require thorough reading of their offering documents to fully comprehend fee implications and incentives provided to your investment professional.

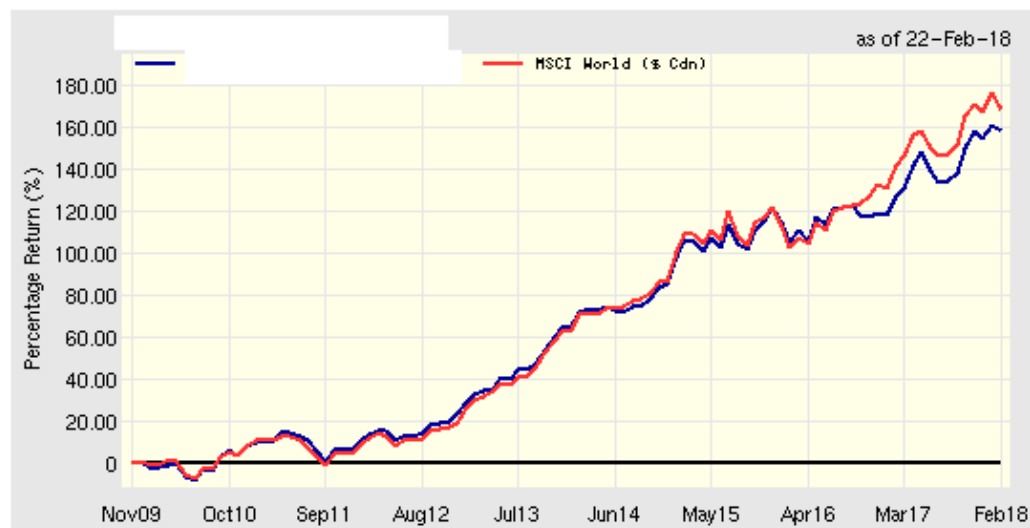


## Examples - Fees

- **Hedge Funds Fees** typically have two streams, such as “2 and 20”, which represents a 2% management fee and sharing in 20% of the profits above a certain hurdle rate and above a high water mark. Note that given the intense competition and poor relative performance to equity markets, hedge fund fees have been on the decline.
- **Private Equity Fees** are similar in structure to those of hedge funds.
- **Trading Commission Fees** are sometimes over-and-above the agreed upon management fee and tend to increase the purchase cost of shares and reduce the selling price.
- **Other Fees** that are related include: administrative, legal, audit, front/back load, redemption etc.

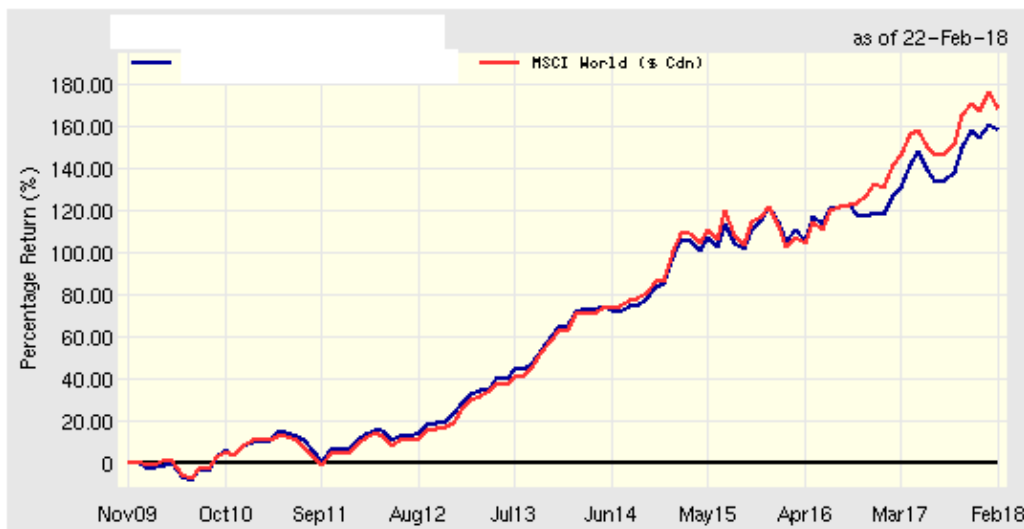
## Example – Performance (Nov. 2009 to Feb. 2018)

- Global Equity Fund (MER of 2.44%) tracked the passive strategy (MSCI World CDN \$) from 2009 to 2016 and then underperformed.
- The MSCI World ETF has an MER of 0.47%.



## Example – Performance (Nov. 2009 to Feb. 2018)

- Estimated Fee Impact: \$27,158
- Performance Difference: \$268,960 (MSCI World ETF) - \$258,490 (Global Equity Fund) = \$10,470
- Annual Returns Difference: 11.62% (MSCI World ETF) - 11.13% (Global Equity Fund) = 0.49%
- Total Incremental Cost Owning the Global Equity Fund: \$37,628







## How can the Independent Investment Review Benefit you?

- By engaging with Phocion you will be paired with an investment industry professional that has a minimum of 20 years of industry experience.
- As your partner we work in your interest and completely offset any gap that may exist between your investment knowledge and that of your existing investment management professional.



## How can the Independent Investment Review Benefit you?

- Phocion has no conflicts of interest.
- Our only remuneration is the fee that you provide to us.
- We do not manage wealth ourselves.
- We do not refer our clients to other investment managers.
- Our independence is a crucial value characteristic.



## What is the Independent Investment Review Process?

- Phocion will meet, listen and learn in order to determine your investment return objectives and risk tolerances.
- Request investment statements to analyze investment strategies that are in place, and determine how they line up with your risk/return profile.
- Perform a thorough analysis of all fees that are paid, including those that may not be transparent. Fees will be presented as a percentage of the assets being managed as well as in absolute dollars, this way you gain a full understanding.



## What is the Independent Investment Review Process?

- Perform a thorough analysis of the returns of each investment product that you own. We will compare your returns to those of competing lower-cost, passive strategies. We can then determine whether your actively managed product has been worth the higher associated cost.
- Perform background checks on the investment professional and their team, including looking into any regulatory disciplinary sanctions. Should you like, Phocion can also meet on-site with your investment professional – this is at your discretion.



## In what form does the Independent Investment Review deliver its findings?

- In a detailed written report that includes all findings along with a summary of strengths and weaknesses.
- Through an oral presentation of our findings directly to you.



## What does Phocion need to execute?

- Investment statements
- A face-to-face meeting

## Who was Phocion?

- Athenian statesman from c. 402 BC – c. 318
- Nicknamed "The Good"
- Courage to stand up against popular opinion
- Avoided corruption
- Loyal to the best interests of all Athenians
- Never mistreated anyone
- Never gave insincere counsel





## Management Team -

### **Ioannis Segounis, B.Eng, MBA, CFA, CIPM**

Founder and Managing Director

Industry Experience: Performance and Research

Career began: 1999

Founded: 2010

### **David Rowen, CFA, FRM, CIPM**

Managing Director

Industry Experience: Investment Management and Research

Career began: 1994

Joined team: 2015

### **Kosta Segounis, CPA, CA, CFA, CIPM**

Managing Director

Industry Experience: Due Diligence and Investment Compliance

Career began: 1995

Joined team: 2015



Questions?

**Montreal - Head Office**

1010 Sherbrooke Street West, Suite 1800

Montreal, Quebec H3A 2R7 Canada

T 514 564-9955

F 514 286-6078

[info@phocioninvestments.com](mailto:info@phocioninvestments.com)

[www.phocioninvestments.com](http://www.phocioninvestments.com)

**Toronto - Meeting Centre**

130 King Street West, Suite 1800

Toronto, Ontario M5X 1E3 Canada

**New York – Compliance Risk Concepts**

1330 Avenue of the Americas, 12<sup>th</sup> Floor

New York, New York 10019 United States

[www.compliance-risk.com](http://www.compliance-risk.com)

**Chicago – NexTier Companies**

515 North State Street, Suite 2640

Chicago Illinois 60654 United States

[www.nextiercompanies.com](http://www.nextiercompanies.com)



**Disclaimer:** The material in this presentation has been prepared by Phocion Investment Services Inc. (Phocion) and is general background information about Phocion's activities current as at the date of this presentation. This information is given in summary form and does not purport to be complete, and is for informational purposes only.