

## Some Investment Proposals Produce Nightmares as Opposed to Providing Sound Solutions

High net worth investors are highly sought by investment professionals and are often presented with a slew of solutions, which can be overwhelming for them. Though a preponderance of professionals do make proper recommendations, several do not. This article will explore examples of sub-optimal investment recommendations.

### Beware of Poorly Performing, Highly-Conflicted Investment Offerings

When it comes to investment proposals, investors must assume nothing at face value. Rather, they need to ask questions, take notes and verify. They may also consider engaging an experienced, independent professional entity to do so on their behalf. As an example, Phocion has come across HNW investors that have been presented with an investment offering that consistently delivered under-performing returns across each time period examined - one, three, five and ten years. Moreover, the offering was thwart with conflicts of interest most notably by virtue of mostly selecting funds owned by its majority-controlled fund management company. The other managers selected were well-known local fund companies. The exclusive selection of captive and local funds seemingly contrasts with the investment firm's stated mantra of only choosing funds following an exhaustive, comprehensive and global due diligence process. In fact, the manager selection process is not objective.



### Overworked, Underpaid, Salaried Investment Professionals

In addition to poor performance, entities often seem willing to engage and then allocate a poorly qualified, overworked and most likely underpaid individual to the client. For instance, investment professionals can be allocated 450 clients, making it certainly difficult for this one person to provide the proper service. To make matters worse, previous work experience, education, and direct dealings on simple matters, do not reflect well. For instance, when asked for a table that shows the current yield of the fixed income mandates it is not unheard of to be provided a table showing historical total returns. Phocion has encountered a manager with public profile showing his engagement in other external business activities that include: (1) being president of a consulting firm and (2) a real estate broker. This obviously puts into question the time conflict between his dedication to the other two businesses versus dealings with the investment firm's clients. No investor should allow their wealth to be overseen but such a seemingly disengaged professional. HNW investors are paying hefty fees and deserve the full attention of an investment firms that demonstrates that it fully cares about its clients' wealth and always working in their best interest. I fail to see how this can be the case given the above conflicts. Going further, it is upsetting to know that the above mentioned individual in fact stated point blank that he "presently (does) not have any conflicts of interest". Given his two side careers, I do not believe this to be the case.

### Concluding Remarks

Investment firms can and do allocate clients monies in a manner that minimizes client service and optimizes their profits. Indeed, investment professionals must be registered with the appropriate regulating authorities. Investors can easily verify whether their existing or proposed investment professional has had any disciplinary actions held against him by legal or securities regulating authorities. Though accuracy cannot be guaranteed, it significantly behooves investment professionals to ensure the accuracy of their social media profiles. People are busy and competition is fierce. If an investment professional is not putting his best foot forward by providing complete transparency then it may be a strong signal to consider engaging with an alternative professional. Investors need to ask the tough questions at all times to

protect themselves. Sadly, there have been recent incidents of regulators not being severe their punishment of investment industry professionals in violation of securities practices. This further reinforces the imperative of the investor reassessing his own investment portfolio and strategy on an annual basis. He should ask his professional how his portfolio would be positioned in advance of various market movements. If rather the investment professionals does nothing and blames “market conditions” for inferior returns during a market pullback, this answer would simply not be good enough.

I often tell my friends that in order for professional sports organizations to be “the best” that they need to have “the best people” running their respective organizations: the best scout; the best player development; the best coach; the best GM; and the best president. They need a clear vision to articulate. Well, the same holds true for investment management. In order to achieve your own unique investment targets HNW investors should never settle for anything less than “the best” to manage their distinctive needs. Falling short of that risks the continuation or the emergence of their nightmare.