

The Investor Advocate®

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Making Clients Matter

The respected consultant and financial author Charles D. Ellis, in his book *Investment Policy, How to Win the Loser's Game*,¹ termed its introduction, "Do Clients Matter?" He concluded the introduction with the following:

"Indeed he (the client) should. But the client will only matter if he asserts his authority and fulfills his responsibility: deciding investment objectives, developing sound investment policies, and holding portfolio managers accountable for implementing long-term investment policy in daily operations."

The significance of the client in any business or profession is fundamental to a capitalistic society. Our economic system allows clients to choose their investment service providers and products from among, what is now, tens of thousands of alternatives. Spurring the growth in these alternatives are factors such as improving technology for related research and analysis, declining costs for information access and continuing product development.

Client investors, however, are often challenged to "assert" themselves due to time, economic, and knowledge constraints. It is difficult to effectively assess the marketplace of investment service providers and products because of its sheer size, complexity, and nature as an intangible. Purveyors and distributors of investment services and products receive significant incentives to sell their wares to investors. As a result of

this environment, more than a few investors have said that "investment advice is not bought, but is sold." Investor clients are employed in many different positions fulfilling a broad array of responsibilities, including:

- Retirement plan trustees or committee members;
- Healthcare system directors and committee members;
- Directors of charitable institutions;
- University/school board members and administrators;
- Board, trustee, deacon, or vestry members;
- Executors of wills;
- Trustees of various trusts; and
- Family offices, businesses, and individual investors.

Each of these positions and situations requires special duties and skills. How are these duties (goals, objectives, and policies) established and met through skillful judgment?

How do investor clients assert themselves? Can specialists in manufacturing and medicine, trustees and teachers, service organizations and volunteers, clerics and corporate managers achieve success in the investment realm? Highland's answer to these questions is wrapped up in the term Investor Advocate®.

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HIGHLAND
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INVESTOR ADVOCATES®

Advocating Your Success

Investor Advocates[®], Defined

Webster's New Collegiate Dictionary defines an advocate as "one that pleads the cause of another." The Investor Advocate[®] pleads the cause of client investors to assist them in meeting their investment needs and goals. Informed and experienced investor advocates can overcome the time, cost and knowledge constraints of client situations to improve the probability of achieving investment success and of successful meeting fiduciary responsibilities.

Essential Qualities of Investor Advocacy

Client investors have identified the qualities they believe are essential for real investor advocacy. These qualities highlight a client-centered, advisory philosophy. The demand for these characteristics may be most evident for those with fiduciary or oversight responsibility. The real need is practically universal.

Totally Independent and Objective

An investor advocate is independent of the sale of any investment services or products and, therefore, able to provide objective counsel based upon the needs and responsibilities of the client. By definition, this role cannot be met by brokers, bank trust officers, investment managers or similar parties. An investor advocate must approach each client-service role without bias or the potential for any conflicts of interest.

Capable and Informed

An investor advocate is experienced, diligent, and uses leading analytical and information resources. Technology and information have the greatest value when used by seasoned professionals. A collaborative and expert team of investor advocates provides depth and perspective to client investment analysis and ongoing monitoring responsibilities. Proper and effective reviews require analytical integrity, thoroughness and thoughtfulness.

Results Oriented and Cost Conscious

The risk and return objectives of each client investor are of paramount importance to the investor advocate who clearly understands whose investment it is and whose money is at risk. How various costs and fees are negotiated and managed is critical to overall performance and the discharge of fiduciary responsibilities. An investor advocate helps the client establish a rational approach to assessing net investment performance, fees, expenses and opportunity costs.

Professional Service and Client Accessible

The client investor deserves high quality, professional service. This characteristic of an investor advocate includes responsiveness to client inquiries, timely reporting, and consistently meeting commitments to the client. Clients can reasonably expect that their best interests should always be served by this relationship.

Integrating all of these investor advocate attributes will culminate in the highest probability of success for the client investor.

¹ Ellis, Charles D., Investment Policy, How to Win the Loser's Game, 2nd Edition, Chicago, Irwin, 1993

The Investor Advocate[®]

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Any questions or comments regarding
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