

News

Advisers hold on to investment decision-making autonomy

by Anthony Davies | Tuesday, 12 September 2006

New Zealand financial advisers need to think carefully about how much of the portfolio construction asset allocation decision-making they delegate to the likes of research houses or master trusts. That's the view of two advisers - Susanna Stuart of Stuart & Carlyon in Auckland and Phillip King of Ellerie Cornwall Financial in Tauranga - who last month attended the two-day PortfolioConstruction Conference in Sydney.

However, both stress that taking a more hands-on approach requires a commitment to put in the time and work needed to do a proper job. Consequently, both Stuart and King have been to this annual conference several times before and say it doesn't have any parallel in New Zealand.

Stuart says she's uncomfortable slavishly following the asset allocation or product selection decisions of any external party. "You have to be comfortable that it will work for your client in a practical sense," she says, highlighting tax-efficiency as one area where some model portfolios fall down. "We needed to formulate our own approach," she adds. She also says there's a danger that approach can lead to a set-and-forget approach and suggests "a lot of clients, especially retired clients, would have been done a disservice" over the last few years where their advisers had put them into one-size fits all portfolios.

King has similar views. He sees advisers dividing into two camps - those prepared to delegate to master trusts or wraps and those who aren't. He says his firm is definitely in the latter camp. "We want to be able to add value to our clients beyond the product flog. We're looking for alpha," he says.

Stuart says she would like to see more technical investment presentations in New Zealand, and her advice to fund manager presenters is to focus more on investment philosophy and policy issues and less on products. "The products are the end result of the [manager's] philosophy," she says, adding if an adviser agrees with and understands the philosophy they don't need the hard product sell.

Disclosure: brilliant!, the publishers of the PortfolioConstruction Conference, is a *financial* alert shareholder.

© 2006 *financial* alert Limited.

All rights reserved. Refer Terms & Conditions of Use.