Consilia

PORTFOLIO MONITORING SERVICES

The extra mile that makes the difference

Wealth establishment requires an ongoing process of substantial efforts and good decisions. Unfortunately, only very few mistakes can destroy it. In that respect, we are not just referring to staying out of hands of malice creatures. It is rather certain slow processes within bona fide structures that tend to remain unnoticed, until it is too late or at least has already been very expensive.

By its nature, the slow but destructive effect of portfolio management inefficiencies are only discovered after the portfolio has already suffered substantial damages. In addition, as destructive as inefficiencies may be, often they do not even offend applicable common practices and regulations. Although sometimes they do, but even then remain unnoticed. The good thing is however, they can all be successfully addressed, if detected. Now this is where Consilia makes a true difference.

Inefficiencies generally refer to *elevated fee structures, hidden risk exposure, inconsistent portfolio management* and *poor performances*.

Elevated fee structures

The actual fee structure tends to deviate substantially from the client's perception. Some unaware fees are visible at the surface; many however are either hidden in a next layer or entangled with multiple mathematical parameters that makes them very hard to be discovered without including monitoring services.

Hidden risk exposure

For various reasons, the asset management industry has embraced portfolio structures holding substantial quantities of collective investment schemes and products. At first sight, exposure mostly looks aligned with the parameters set out. Detailed analysis however all too often discloses unpleasant surprises, many of which are even unknown to the manager.

Inconsistencies within the portfolio management

We do not judge each trade a portfolio manager makes, since we are fully aware tactical misjudgment and even taking losses are part of the management. We do however have a critical look at patterns. We investigate essential determinants like:

- "Is the manager a typical extrapolator or a contrarian";
- "Is the management active or passive?";
- "When and why are profits or losses being taken?"
- "How is the team composed and what are the processes and disciplines involved?";

and what are the consequences of all this for future performances?

Poor performance

Performance interpretation is a science in its own. Although we adhere to certain comparison indicators, we are very reluctant to focus on out- or underperformance of a set benchmark as a priority. We rather focus on the value creation potential and soundness of a portfolio and its components at acceptable risk levels. Some investments are simply lacking sustainable performance potential and yet, they are included for reasons that may not be aligned with the client's interests. Also, some management styles obstruct value creation by definition and many potential risk/return ratios are just poor.

In our Portfolio Health Checks we can disclose already some very relevant elements. In order to widen, deepen and ensure continuation of the benefits, ongoing Portfolio Monitoring is the single best way forward, since it includes analyses and close monitoring of anything that is or may be relevant for your portfolio.

For more information please contact:

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