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Family Office & Asset Management

The Right Hands

Successful asset managers are able to anticipate and manage change. But their work involves people even more than figures. Meret Wiedenkeller, Senior Partner at Helvetic Trust AG, examines the relationship between the asset manager and client and suggests guidelines for proper due diligence when choosing an asset manager.

Meret Wiedenkeller

One size, in human matters, can never fit all. And any attempt to implement this aim will inevitably lead to painful pinching at some point in the future, be that in the choice of shoes, or the selection of the right asset manager. Thus, drawing up a checklist describing the ideal asset manager first and foremost demands a definition of the person seeking advice and support from an asset manager. Some people, for example, have profound knowledge of the financial markets and trends. Their asset manager should be a sparring partner, someone who is willing to discuss all financial matters in depth and has an individually forged opinion regarding investment strategies. On the other hand, there are people who know little about the complex asset universe and its products. They should look for a trustworthy asset manager who will inform them on a regular basis of all actions they are taking on their behalf and explain their investments in detail. The asset manager should avoid too much technical talk, of course.

In a nutshell, however: Whether you know a lot about finance or just a little, make sure your asset manager has a broad knowledge in financial matters, that he has a feeling for the financial markets and follows the trends in asset classes, industries, branches and countries. In the case of an independent asset manger, it is vital to choose someone who has at least ten years experience in the financial sector.

Well-developed social skills are also an asset for an asset manager. He or she must be able to communicate well and understand the client, take his needs seriously and share the same values. Transparency in all actions is of primary importance. Last but not least, the asset manager must have an entrepreneurial personality, because entrepreneurs are generally dynamic personalities who think ahead and take responsibility for their actions. They are able to articulate what they learnt in the past and how that experience will benefit the client. Having weathered at least one crisis and made it out successfully is certainly a good reference and a sign of strength.

The finer lines

There is a difference between a good and an excellent asset manager. The latter will have unshakable trust in his intuition – at times even against all logic – and that is something that comes with time and experience. The more ultimately successful decisions an asset manager has made on a hunch, the more self-confidence he will radiate. Furthermore, intuition allows one to be at least one step ahead of facts and figures. Empathy, a related quality, is key to establishing a trusting, long-term relationship with the client. Having defined some of the softer criteria for a good asset manager, it is then important to apply some standard due diligence in the selection process. If at all possible, the client should choose only serious asset management companies, preferably situated in major cities like Zurich, Geneva, Berne, Lausanne or Lucerne. An examination of their teams should produce an asset manager who seems to be most compatible with the client and his or her investment objectives or strategy. One can then set out a catalogue of questions for the candidate: how long he has been in this position, what experience does he have, what are his references. And here, it's the client's term to use intuition as a tool.

Human factors

Many people lost a great deal of money in the recent financial meltdown, and at times it was due to a misreading of an asset manager. When selecting the person responsible for your hard-earned money, it is important to ask yourself whether the asset manager is being a salesman or a consultant. Sales people are usually out for a quick profit,

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whereas consultants have a long-term focus. Later on, it is important to be actively engaged in the business relationship. Trust is good, control is better: the asset manager should take risk management very seriously. He must monitor the portfolio continuously and systematically allowing risks to be controlled and matched to the chosen investment strategy. Active advisory services means being in touch with clients on an almost daily basis, usually by phone and depending if the client needs to communicate more intensively. A meeting should be organized at last once a quarter.

It is wise to remember that an asset manager is not necessarily a banker. Bankers, who cater at times to more than 150 clients at the same time, do not have the time to provide such in-depth service and will therefore be unable to actively make investment suggestions, check the client's "pulse" on a regular basis and support investment decisions. And bankers are not always independent. We all know, now, that many bankers frequently invested in products both they and their clients found too complex to understand but that promised to make a hefty profit. And in the case of discretionary mandates, they often use their own products or sell structured products to a broad customer base in order to boost their commissions.

Responsibility call

Meret Wiedenkeller on the ethics of asset management and her company's approach, trend allocation.

It is often said that greed is at the root of the current financial crisis. Do you agree?

Yes. Banks and insurances behaved in a way that basically reflects a total lack of responsibility.

Should the asset manager's personal values be part of the due diligence?

Absolutely. People who share the same values make more successful teams – that's been proven time and again. So be curious and try to find out as much as possible about personal values and background. If the chemistry is right, it usually has to do with the fact that both parties are similar. Personally, I would only want to work with someone who has strong personal values and a social conscience.

What about the wish for more responsibility and reliability? How would you encourage the financial sector to cultivate these qualities?

First and foremost, I should think that we need a new incentive system, one that effectively curbs greed. Secondly, I believe asset managers who go astray must be made responsible for their actions and need to face the consequences of their actions. Otherwise they will see no need to change. Thirdly, I would introduce quotas to ensure that diversity is more strongly represented in the upper echelons of the world of finance. While it is true that we often find it easier to work with people who are similar to ourselves, there is a lot to be gained from diversity. For example, independent research has shown that the more women on the board of a Fortune 500 company, the greater its financial performance. In short: there's a strong business case for involving more women.

What is your approach to asset allocation at Helvetic Trust?

Having the latest research data available and interpreting the material correctly is at the core of any decision regarding asset allocation. Helvetic Trust, for instance, analyzes quantitative and qualitative research material continuously and identifies long terms trends. We are convinced that 80 percent of the performance depends on the right trend allocation and only 20 percent on the right selection of titles – so therefore we allocate two-thirds of the assets to trends or sectors and one-third to countries. This tactic, is called Trend Allocation and is combined with a bottom-up research for picking the best stocks representing the trends. So the role of research data is very important, as is continually assessing the global market situation to be able to react quickly and adequately to any changes.

What does it take to turn an idea into a profit?

Above all, it takes hard work. You need to persist in your research and be able to step back to critically analyze your data. Once you've done your homework, trust your intuition and be bold enough to act upon it.

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