

# ARE YOU A PRIVATE CLIENT?



Advancing Standards™



## EXCLUSIVE INVESTMENT SERVICES FOR PRIVATE CLIENTS

Private clients are individuals and families who have a significant financial portfolio and require expertise and access to investments beyond those available to the mass market. Because of the size of their portfolios, private clients have investment needs similar to those of endowments, foundations and institutions, which is why private clients work with portfolio managers.

# ARE YOU A PRIVATE CLIENT?

- **Household wealth of several hundred thousand dollars or more**
- **Sudden lump sum from:**
  - **Inheritance**
  - **Selling a business, practice or property**
  - **Retirement or severance package**
- **Multi-generation wealth management**
- **Complicated trust, tax or estate needs**

**Like endowments and foundations, private clients work with portfolio managers for several reasons:**

- Access to financial expertise and full-time investment professionals
- Need for a customized approach to your wealth management that is not available at the mass-market level
- Desire for a direct relationship and closer access to the people who make the investment decisions
- More personalized reporting than mass-market or retail investments
- Lower fees to reflect:
  - The larger amount of money
  - The direct relationship

## Are You Ready to be a Private Client?

**Minimum Investment Portfolio** / If you have a sizeable portfolio of several hundred thousand dollars or more, you need specific expertise and access to investments that are not available to investors with smaller portfolios. Also, the size of your portfolio affords a lower fee structure than available with mass-market or retail funds.

**Complex Investment Needs** / You may have multi-generational wealth that requires specific attention or tax, trust and estate requirements that may be beyond the expertise of retail brokers and planners. You may own or operate businesses or a professional practice that adds an additional level of complexity to managing your wealth. Portfolio managers work with clients with unique and complex circumstances so they are well positioned to help or guide you with your wealth management.

**Direct Relationship** / As a private client, you have a direct relationship with the firm that manages your money. This eliminates third-party distributors and brokers, which often account for layers and fees between you and the professionals investing your money.

**More Detailed Reporting** / With a larger portfolio, you need to understand your performance and that often involves understanding the investment strategy behind your performance numbers. Many portfolio managers also manage funds for institutions and, as a result, are diligent about providing investment detail well beyond what is required at the mass-market level.

# WHAT IS A PORTFOLIO MANAGER?

Portfolio managers are also known as:

- Investment counsellors
- Asset managers
- Investment managers
- Wealth managers

Portfolio managers are firms and people who manage investment portfolios on behalf of private clients, foundations, endowments and pensions. Portfolio managers differ from mass-market or retail investment managers because they manage larger amounts of money for fewer clients. This often results in lower management fees and a higher level of service.

## What are the Benefits of Working with a Portfolio Manager?

### FIDUCIARY RESPONSIBILITY

Portfolio managers have a fiduciary duty to act with care, honesty and good faith, always in the best interest of their clients. Investment decisions therefore must be independent and free of bias. This results in a higher level of trust placed on portfolio managers.

### PROFESSIONAL QUALIFICATIONS

As fiduciaries, securities regulation requires the highest level of education and experience in the investment industry.

### INVESTMENT POLICY STATEMENT (IPS) OR WRITTEN AGREEMENT

An individual written agreement will be established to set out how you will work with your portfolio manager, including ongoing communication, types of investments, reporting, fees, risks and other issues related to your own circumstances.

### PERSONALIZED MANAGEMENT OF YOUR PORTFOLIOS

Portfolio managers provide ongoing management of your investments based on your objectives and risk tolerance outlined in your IPS. You typically give authority to the portfolio manager to make investment decisions without getting prior approval from you for each transaction (called “discretionary management”).

### FEES

Portfolio managers charge a percentage of the investments they manage. This fee is transparent and generally much less than retail management and distribution costs, which are often embedded as a cost of doing business. It is important to note that your money must reside at a third-party financial institution for an extra layer of protection and safety and there is usually a small additional fee for this service. Fees are fully transparent on client statements and typically go down as a percentage of your portfolio as your assets grow. Fees are not paid by commission based on volume of buying or selling investments and are significantly lower than typical mutual fund fees.

### REGISTRATION

Both the firm and the individual who is managing your investments are registered with provincial securities commissions.

### LEGAL REQUIREMENTS OF FIRMS

Firms registered as portfolio managers must meet strict financial reporting, capital and insurance requirements to further protect your investments.

## How a Portfolio Manager Can Help You?

A portfolio manager develops a written agreement (usually known as an Investment Policy Statement or IPS) that takes into account your specific needs. Your IPS is the basis upon which your portfolio manager selects an appropriate mix of investments and makes discretionary adjustments to your portfolio. You and your manager should meet at least annually to ensure your IPS is up to date and reflects your needs.

# HOW DO YOU SELECT A PORTFOLIO MANAGER?

## 6Ps

If you have decided that a portfolio manager is appropriate for you, consider the following 6 “Ps” to select one that best suits your needs.

### 1 PORTFOLIO MANAGEMENT FIRM

Each firm’s profile is different, with its own history, ownership, size and profile. Firms manage money in different ways and offer an array of products. Some specialize in types of clients. The key to selecting the right firm is to ensure they are registered and they fit your personal circumstances.

### 2 PEOPLE

Portfolio investment management performs two functions: client relations to ascertain needs and managing investments and management of clients’ investment portfolios. In large firms, these roles are performed by different professionals. Most portfolio managers hold the coveted Chartered Financial Analyst designation (CFA charter), which is the most respected and recognized investment credential in the world. Portfolio managers provide active management to ensure your best interests are being met.

### 3 PHILOSOPHY & STYLE

Portfolio managers use different investment management approaches and styles. Some managers are product specialists, some adopt a certain style such as value, growth or momentum, and some offer a combination of products and styles.

### 4 PERFORMANCE

Performance is often the result of the disciplined application of a manager’s investment philosophy or style. Managers report and communicate performance in a variety of ways – through written, telephone and face-to-face meetings. It is important to agree – at the outset – on how you will receive feedback on performance.

### 5 PORTFOLIO MANAGEMENT & WEALTH SERVICES

Depending on size and specialization, portfolio managers can offer investment solutions, from fixed income to balanced to equities – from private and public markets. Firms may offer investments from Canada or from active managers in other geographic regions around the world.

### 6 PAYMENT FOR SERVICES

Portfolio managers typically charge a management fee based upon the amount of assets managed. Fees vary and may depend on the size of the portfolio. All fees are disclosed fully on client statements. Portfolio manager fees are generally lower than mass-market or retail investments because they manage larger sums on behalf of fewer clients.

## WHO IS PMAC?

The **Portfolio Management Association of Canada (PMAC)** is a not-for-profit organization that exclusively represents firms that are regulated by provincial securities commissions under the category of “portfolio manager.”

Since its founding in 1952, PMAC (formerly the Investment Counsel Association of Canada or ICAC) has prescribed certain principles of conduct for portfolio managers.

PMAC provides extensive services and benefits to its members, including up-to-date regulatory and compliance information and education.

In addition, PMAC serves as an advocate for portfolio manager firms with respect to provincial and federal securities regulation that impact the firms and you, the investor.

All firms that are members of PMAC have responsibilities to their clients. Portfolio managers must commit to the following:

- Act in a professional and ethical manner at all times
- Act for the benefit of clients
- Act with independence and objectivity
- Act with skill, competence and diligence
- Communicate with clients in a timely and accurate manner
- Uphold the applicable rules governing capital markets

All members of PMAC are regulated by provincial securities commissions to ensure firms meet applicable regulatory requirements. Our membership criteria requires complete independence in portfolio management activities and encourages policies and practices that help grow and protect investor assets.

**The purpose of the Portfolio Management Association of Canada is to advocate the highest standards of unbiased portfolio management in the interests of the investors served by members.**



**PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**

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