

Investment Education Series



GTB Asset Management

WHY YOU NEED AN INVESTMENT ADVISER

An investment adviser is an expert versed in the professional management of various securities and assets in order to meet specified investment goals for the benefit of the investor. Investors may be institutions (insurance companies, pension funds, corporations, charities, educational establishments etc.) or private investors (both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds or exchange-traded funds).

They can be categorized as asset managers, responsible for the investment management of collective investments, while the more generic fund managers may refer to all forms of institutional investment as well as investment managers for private investors. Investment managers who specialize in advisory or discretionary management on behalf of private investors are referred to as wealth or portfolio managers.

Investment advisers or fund managers refers to both an individual who directs fund management decisions and a firm that provides investment management services including financial statement analysis, asset selection, stock selection, plan implementation and on-going monitoring of investments.

Because investment or wealth management is not a simple activity as it involves many intricate steps, it is best attended to by qualified and professional investment managers, who through careful analysis and hard work can achieve successful investing results by helping you on the following:

Achieve your investment targets

All roads lead to the market-place, they say. Yes, different roads could lead to the market but there's always the best route. Investment needs to be guided by a set of objectives which include; capital appreciation, current income and safety of principal. The relative importance of each of these objectives needs to be determined. Identification of constraints arising out of liquidity, time horizon, tax and special situations need to be addressed.

Involving an investment manager on your financial intentions means getting a road map from a professional who knows the most efficient way to help you achieve your investment goal. Leveraging on their experience and investment acumen, investment managers can help fulfil whatever objectives are set, using available resources and working within specified time-frames.

Build the right asset-mix

The risk appetite of an investor forms one of the bases for asset allocation. An investor who is very much risk averse for example, might not find the equity-space most appropriate. In investment management the most important decision is with respect to the asset mix decision. It is to do with the proportion of equity shares or shares of equity oriented mutual funds i.e. stocks and proportion of bonds in the portfolio. The combination on the number of stocks and bonds depends upon the risk tolerance of the investor. This step also involves which classes of asset investments will be placed and also determines which securities should be purchased in a particular class.

However, with the help of a professional, a tailor made combination of investments classes suitable for your investment objectives can be developed.

Have a diversified portfolio that hedges risks

It is important to formulate a suitable portfolio strategy, after the stock – bond combination is chosen. There are two types of portfolio strategies. The first is an active portfolio strategy which aims to earn greater risk adjusted returns depending on the market timing, sector rotation, security selection or a mix of these. The second strategy is the passive strategy which involves holding a well diversified portfolio and also maintaining a pre-decided level risk.

It could be suicidal to literally put all of one's eggs in a basket. We know how Nigerians lost monies placed in wonder-banks, leaving them high and dry. Even with legitimate investments, concentrated investment could backfire. An investment manager aims at reducing the risk of losing your wealth/portfolio by widening the spread of your investments.

Actively manage your portfolio

Most investors take investing as a pastime; it is usually not their primary concern. Investors might (based on their level of experience and knowledge) make faulty calls which could be costly. The assessment of the performance of the portfolio should be done from time to time. It helps the investor to realize if the portfolio return is in proportion with its risk exposure. Along with this it is also necessary to have a benchmark for comparison with other portfolios that have a similar risk exposure.

There's a need to employ the expertise and techniques of a professional investment manager, whose prime function is to maximize the returns on your portfolio.

Obtain objective reviews

Perhaps you have noticed that every new product or investment opportunity comes with a lot of publicity which propagates it as the most excellent in the market – but that does not make it to be the best for you. Investors have been taken in by marketing gimmicks not searched out closely. Investors need to select stocks after a careful fundamental and technical analysis of the security they are interested in purchasing. While this a cumbersome process that consumes time, investors need insightful guidance to make the right decisions.

An investment manager has a broad-based knowledge of different markets and can advise on the merits and demerits of various products. You are better informed on what investment products to buy and those to ignore when you engage the services of an investment manager.

Track your investment

A lot of developments happen even in after hours of trading and therefore it becomes necessary to learn about them before taking any investment decision. Investments and indeed the market are dynamic. As such, a close tab should be placed on one's portfolio; constantly checking the performance and relevance of the constituents and re-jigging the make-up when necessary.

Fluctuation in the prices of stocks and bonds lead to changes in the value of the portfolio and this calls for a rebalancing of the portfolio from time to time. These require a level of dedication and prompt reaction the average investor cannot afford – which of course, on the other hand, is a basic job function of an investment manager.

Helps you develop and imbibe a savings culture

For most people, it's always a struggle to put aside resources for the rainy day. There could be the issue of your income not being enough or not knowing what to do with the spill-overs. A talk with a financial advisor will help provide guidance in developing this crucial habit. Regardless of whether you currently have N10,000 or N10m, an asset manager will look at your situation and find the best starting point for you; helping you commit part of your resources into securing your future.

Secure assets for future benefit of your family

An investment manager can also provide advice on estate planning through the vehicle of a Trust. This enables you plan for the future transfer of your wealth to members of your family. Whatever your needs, an investment manager can help design a seamless transfer to the beneficiaries of your estate.

For your retirement plans

Life is in seasons – a time to work, and a time to sit back and relax. Everyone, who must have labored, deserves a blissful retirement. The Nigerian government, for example, realizing its citizens could not rely on the old retirement-benefit structure, reformed the pension process. Pension schemes have come a long way in terms of transparency in recent years and now there are a wide range of PFAs on offer. You may also have a retirement plan on the side apart from the statutory pension scheme. An investment manager will help construct a portfolio for your retirement.

Have peace of mind

Investment can be complex. This means you require well-thought ways to protect your assets and enhance its value. Markets are unpredictable; media reports can aggravate its risks and rewards. Employing a professional investment manager will relieve you of such burden and place it in the hands of an investment manager qualified to undertake such tasks. Note that the fees you pay in taking advice from the investment manager could be paid back many times over in the long-term from the returns earned.

While thousands of investments choices are available for investors to consider, the rapid changes in economic landscape makes taking investment decision a daunting task. Though many investors seek an ideal lifestyle, driven by laudable goals, most of them lack the time and/or knowledge to wade through all of the choices. But you shouldn't have to face it alone, a professional financial advisor understands the impact of these events and cycles on finances, and can help guide you through it all.