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TOP NEWS STORIES

PAM, SILVER BRIDGE HOST SAN FRANCISCO BREAKFAST BRIEFING

PAM takes its subscriber breakfast briefing series to the West Coast.



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+ PLUS

Q&A

Q&A with Doug Black, president of SpringReef Partners

TURN TO P8

ASK THE EXPERTS

José Dios, chief executive officer, looks at accessing the risk/return characteristics of hedge funds/ alternative investments in a liquid and transparent vehicle

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Multi-family office profile:
Market Street Trust Company

09

PAM explores how Market Street Trust Company has grown from a single-family office into a trustee for more than 300 trusts and an advisor to nine family foundations

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Leaving a legacy

Susan Winer of Strategic Philanthropy, outlines decisions to be undertaken on clients' behalf



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Charitable giving tools

To make the most of charitable giving, Fidelity Charitable talks to PAM about combining donor-advised funds and private foundations

Q & A

Sitting on the client's side

Q&A with Doug Black, president of SpringReef Partners



Q Why did you decide to launch SpringReef Partners?

A I founded SpringReef Partners because of my belief that now more than ever, high-net-worth families need someone in their corner when it comes to wealth management – an independent, unbiased partner who knows the industry from the inside out and can serve as an advocate for the safety of their financial futures.

Over the last decade, wealth management firms have faced more competition and shareholder pressure. As a result, doing what's right for the client has all too often taken a back seat in favor of profitability, assets under management, proprietary product distribution and advisor head count.

Q What are some issues you've encountered as you evaluate financial advisors for your clients?

A The most frequent issue we see is a lack of transparency on the part of financial advisors and firms. The problem touches criti-

cal aspects of a client's wealth management experience – eg. fees, proprietary products and performance reporting – and its prevalence has caused families to lose a tremendous amount of trust in the industry.

Families who come to us appreciate the fact that we force transparency when it comes to their wealth management needs. Each of the advisors and firms we evaluate goes through our comprehensive, multi-phased due diligence process, designed to not only provide for us and our clients a thorough overview of their business, process and capabilities, but to also uncover and dig into those areas where transparency issues are evident.

Q How do you help a family choose the right financial advisor?

A There are exceptional firms and talented financial advisors all across this industry – the key is finding one that fits the specific circumstances and needs of any given family. That's why each of our engagements

begins with us getting to know our client and learning as much as possible about their specific circumstances – their personal and financial values, their financial needs, and any previous experience they've had with wealth management.

We then educate them on the three main advisory models – broker-dealers, registered investment advisors, and private banks and trust companies – and work with them to see which may be the best fit for their needs.

From there, we look for the best firms and advisors in the appropriate advisory model, selecting several to go through a rigorous due diligence process that takes in excess of five hours per advisor or firm. Ultimately, what we're looking for are advisors who are established, well-regarded and experienced with high-net-worth families, provide a clear, end-to-end wealth management process, and are deeply knowledgeable about investment solutions they offer. In addition, they have to be ethical, transparent and dedicated to acting in client's best interest, and of course, aligned with the specific client's needs, goals and values. ■

ASK THE EXPERTS

In this feature, subscribers and readers of PAM can write in about questions or problems plaguing their wealth management practices. In return, they will receive practical advice from top experts. To submit a question, email managing editor Kristen Oliveri at k.oliveri@pageantmedia.com

Q Are you able to access the risk/return characteristics of hedge funds/alternative investments in a liquid and transparent vehicle today?

A José (Joe) Dios, chief executive officer

In the past, conventional wisdom held that hedge funds and other alternative investments provided superior risk-adjusted returns and acted as a significant provider of diversification to a total portfolio due to their low correlation characteristics. Additionally, this investment universe supposedly provided: exclusivity, through high minimum investment amounts and minimum net worth requirements, and access to the best fund managers in the industry who would perform well in all types of market environments. To gain access, investors were willing to tolerate lock-ups, a lack of transparency and a higher fee structure. Hedge fund dynamics and their lucrative nature resulted in a proliferation of funds and an influx of managers. As a result of these low barriers to entry, "best-of-breed" hedge fund managers were surrounded by many mediocre managers, and the ability to separate the wheat from the chaff became ever



more complicated. Two of the many lessons The Great Recession of 2008 taught us are that not all hedge fund managers correctly understood their assets and liabilities and could generate a return (or even preserve capital) in all market environments.

The good news is that today investors can access alternative strategies at lower fees via transparent and liquid vehicles. We believe that certain hedge fund strategies can be accessed in a liquid alternative format without sacrificing much in terms of performance or execution. Since liquid alternatives tend to not have incentive fees, a hedge fund manager would have to extract a high premium from his investments to outperform a mutual fund manager on an after-fee basis. Today, there are north of 300 mutual funds that can be considered "alternative," with many of those replicating hedge fund strategies. When including ETFs, the universe is larger still. Some of the alternative-type strategies that one can access in this manner are long/short equity, market neutral, managed futures, currency, volatility, short-biased and global macro. ■

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