thewealthnet
Essential wealth management information

Firms should focus on client need, not pushing products, says Geneva-based CIO

06/02/2019 by: Alexandra Newlove

Younger investors have a tendency to focus on the short term, posing challenges for their advisers, says Francois Savary, chief investment officer of Geneva-headquartered Prime Partners.

Mr Savary told *thewealthnet* he often had to steer his millennial clients who tended watch their portfolios more closely, meaning they became concerned and began questioning the investment approach during short periods where returns were below target.

“Of course, all financial theory is based on the long-term. To be too active on a short-term basis is very, very dangerous,” he said.

“[Millennials] exhibit this quite different behaviour compared to the older generations.”

Contrary to the popular theory that millennials were driving growth in impact and ESG investing, Mr Savary said he saw interest in these areas across the age spectrum, with clients fairly united in their concerns for issues like environmental protection.

Meanwhile the younger generation were considering their stance on more esoteric issues, like the rise in global populism, which Mr Savary pointed out was simply a pendulum swing away from the rapid deregulation and globalisation of the 1970s and 80s.

“In the long span of history, this is just a move from one side to the other,” he said.

Prime Partners is an independent asset allocator and investment consultancy which was formed in 1998 by six founding partners, who say they were frustrated at the conflict of interest they observed in private banks selling in-house products. Mr Savary joined in 2016 and the firm employs 42 people and has 22 partners, who own the business.

The firm does not have a minimum investment threshold, but takes on clients it believes it can genuinely be of help to. It manages just over CHF 3 billion for around 250 clients, ranging from ultra high net worth individuals to those with “a few hundred thousand” to invest.

Mr Savary said the issue which led to the creation of Prime Partners – concern over conflict of interest – had only grown in the intervening years, with firms focusing too vehemently on selling their in-house products.

Most wealth managers and private banks were moving up their minimums and demanding huge sums from clients on entry, rather than allowing them the chance to “try out” a firm’s service with a smaller amount.

"I really don't believe in that model. By acting that way you are reducing your value-add chain significantly. I feel that private wealth management is being destroyed little by little in this way.

"When you look at [the results] published recently, these firms are not reaching their goals in terms of profits and assets under management."

Mr Savary predicted markets would remain bullish throughout 2019 - a fact much-questioned by clients during a difficult December. The firm upped its equity allocations at the beginning of January and had been rewarded, with the average balanced portfolio up five percent in the first month of the year.

As a starting point for the year, Prime Partners was overweight on alternative strategies as a risk-management strategy in what the firm said was the late stage of the credit cycle.

Its outlook was that long/short strategies that disappointed in 2018 would become fruitful, as the December market correction had led to greater disparity among individual stock prices, providing long/short managers with opportunities.

Mr Savary said the firm would retain a healthcare bias, select "a few" tech stocks to buy and "although we tend to avoid utilities and telecoms, the time is right to consider a few industrial stocks".