

# My C.I.O.

*What Does A Chief Investment Officer Do?*

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## Overview

At HighView Financial Group, we recognize that there are many organizations that have a fiduciary obligation for the oversight of large pools of capital entrusted to them for the benefit of others — advisory firms, family offices, foundations, endowments, private pension plans and asset managers to name but a few. We refer to the individuals who are responsible for the fiduciary oversight of such wealth as “Stewards”.

With the globalization of capital markets over the last few decades, there has been a marked increase in the range and complexity of investment opportunities available to investors. In fact, the array of investment options available today is virtually limitless: stocks, bonds, mutual funds, pool funds, hedge products, structured products, private equity, income trusts and commodities.

To simplify the delivery of this vast array of investment solutions to investors, many Stewards have increasingly shifted their clients’ portfolios towards managed asset programs that contain a prudently structured set of discretionarily managed investments, typically on a multiple investment manager basis.

In spite of this secular shift to managed asset/multiple manager offerings, though, the global investment opportunities have also created a whole new set of risks that investors have been forced to address. For this reason, Stewards are increasingly searching for professional support in the management and oversight of the wealth entrusted to them.

As a result, we are often asked what the real role of a Chief Investment Officer (CIO) is and how does this compare with the roles performed by professionals engaged in Investment Manager Search & Due Diligence. The purpose of this article is to address this common question.



## The CIO Role

At HighView Financial Group, it is our belief that the primary objective of a CIO is:

*“the diligent pursuit of sustainable wealth”.*

Unfortunately, the global wealth management industry has a natural tendency to become excessively focused on the “security selection” and “investment manager selection” functions of our business and, as a result, often loses sight of the real purpose of their role which we believe to be:

*“The deployment of comprehensive & objective asset management practices, integrated with goals-based investor profiling and stewarded with a fiduciary mindset”*

As a result, at HighView Financial Group, we believe that the CIO, as the leader of the investment function within wealth management organizations, should be responsible for the following three functions:

**Stewardship:** Thinking & acting like a fiduciary

**Investor Profiling:** Identifying the purpose of the money against discrete time horizons

**Asset Management:** Constructing portfolios that meet client needs, investment objectives & risk tolerances



Based upon our years of experience successfully managing both client wealth and asset management firms, HighView Financial Group has developed a set of philosophical beliefs and practices that support CIOs pursuing sustainable wealth across three categories: Stewardship, Investor Profiling & Asset Management.





## Stewardship:

Given the position of trust from which CIOs operate, there is a growing level of operational scrutiny and awareness in the marketplace, demanded by clients and regulators. As a result, effective organization of the investment governance structure, through various governing bodies, is critical to success. It sets a ‘tone at the top’ from which an organization’s culture is established and flows.

In establishing this “tone” many organizations, in our experience, often confuse ‘Governance’ with ‘Compliance’. We believe that the oversight of wealth needs both Governance and Compliance, but they are not the same. While Compliance is a set of “rules” that everyone must live by, Governance is how you “play the game” within those parameters. Another way to compare these two important functions is to say “Compliance is doing things right” while “Governance is doing the right thing”.

For these reasons, HighView has adopted a process for CIOs that addresses the following components:



### Mandate

The purpose of the investment governing body together with the scope of their responsibilities and accountabilities.

### Structure

How does the investment governing body fit within an organization’s overall structure and what are the legal and/or regulatory implications for the structure?

### Participation

What are the specific types and number of roles required to make the governing body effective and what are the specific experience and competency requirements for each role?

### Standards

What are the fiduciary based standards to which Stewards will be held, together with the financial, administrative and educational principles that will support the governing body?



## Investor Profiling

The cornerstone of any well-designed portfolio is the client discovery process. It enables the deep understanding of a client's journey and the tailoring of an investment program that aligns with their goals, which should be expressed in terms of needs, expectations, requirements and time-horizons.

For these reasons, HighView has adopted a process for CIOs that addresses the following components:



### Discovery

Understanding a client's journey and their plans for the future.

### Attitudinal Risk Assessment

Understanding a client's experiences with the general concept of risk, their historical responses to such situations and as a result their general attitudes towards varying degrees of risk.

### Goals-Based Planning

Understanding a client's goals and aspirations which creates liabilities that must be funded over time through discreet investment strategies

## Asset Management

Asset Management is not about "picking stocks and bonds" for clients; this is "investment management". Instead, Asset Management is about the design, implementation and oversight of a customized plan that helps clients prudently manage their wealth. As a result, the key to this activity is the prudent management of a clients "assets", which is a broader level function that just managing their "investments". As a result, effective Asset Management will ultimately employ the select use of rigorously due diligenced investment managers.

For these reasons, HighView has adopted a process for CIOs that addresses the following components:





## Policy

The construction of customized client portfolios based upon the results of their investor profile together with the delivery of an Investment Policy Statement.

## Management

The implementation of client portfolios, together with any transition requirements from existing to new portfolio structures, as well as ongoing monitoring of all elements of client portfolios against the requirements of their Investment Policy Statements.

## Review

The review and ongoing reporting, on a periodic basis, of the client's progress against their Investment Policy Statement, together with a regular review of their goals and Investment Policy.

While finding appropriate investment solutions and great investment managers is a very important component of managing client wealth, there are other critical components that require focus by an experienced team to truly ensure the best alignment of investments with needs and desires.

Asset Management		
Policy	Management	Review
Portfolio Construction Policy Formulation	Portfolio Implementation Portfolio Monitoring	Goals Review Portfolio Review Policy Review

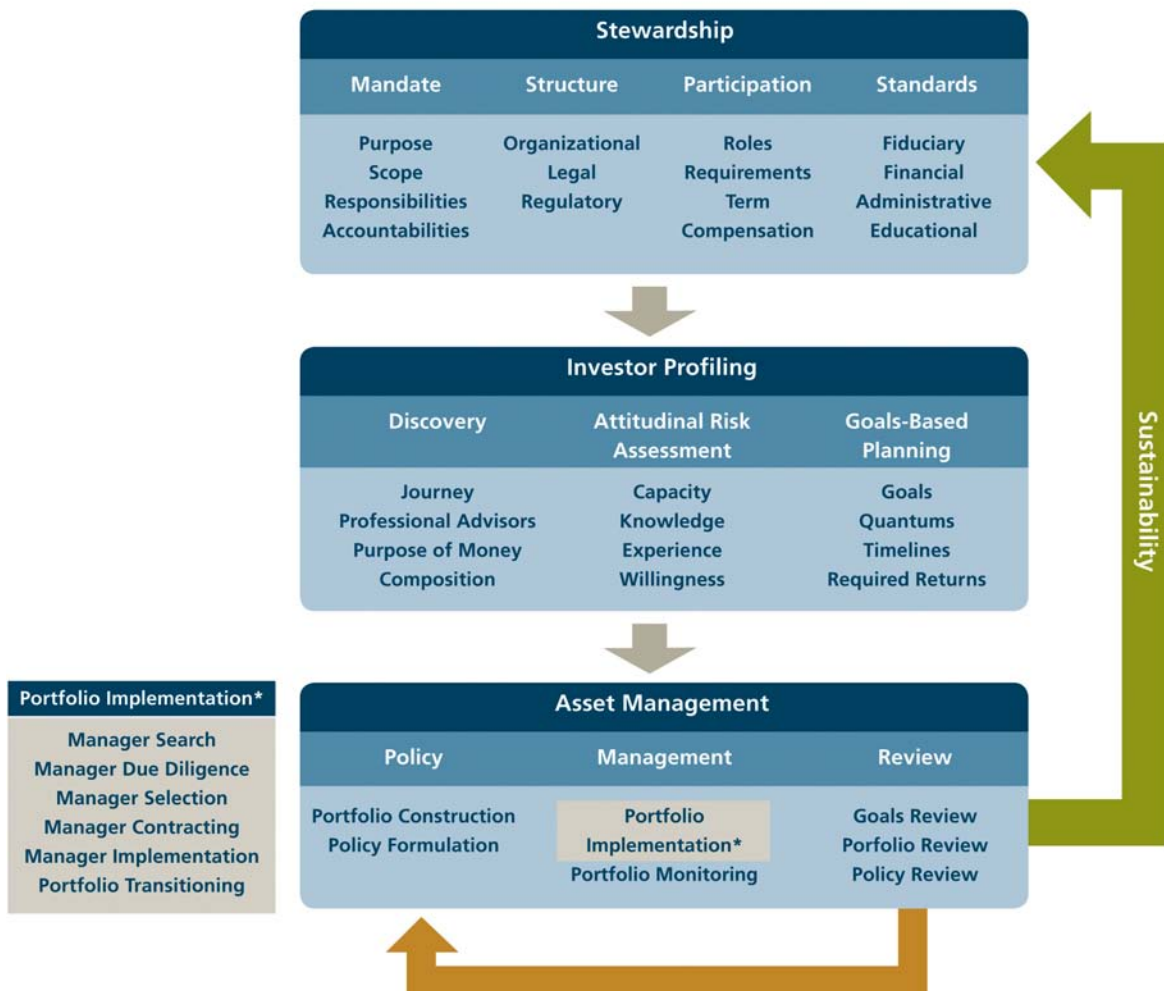
- **Policy**
  - » **Portfolio Construction** – what are the right combination of strategies/mandates (both traditional and alternative) to have in a portfolio and how should they best be combined to meet client needs?
  - » **Policy Formulation** – what are the most effective, portfolio and mandate policies?
- **Management**
  - » **Portfolio Implementation** – includes manager search, due-diligence and selection, as well as the transition of managers when changes occur
  - » **Portfolio Monitoring** – close monitoring of the manager portfolios as well as the client portfolios against the Statements of Investment Guidelines of the individual managers as well as the Investment Policy Statement of the client portfolio(s).
- **Review**
  - » **Goals Review** – Are the client's goals being achieved over time? If not, what changes should be made?
  - » **Portfolio Review** – In-depth quarterly reviews of the managers, the mandates, and portfolio structures. Are they all accomplishing what was expected?
  - » **Policy Review** – Do any of the policies need adjustments to improve the odds for success?



## Benefits Of A CIO

We believe that the above processes associated with the CIO Role is an extensive approach, but when combined with pro-active client communication, in our experience, it focuses on all of the key factors that will drive investment success over time. In our view, this is significantly different than traditional asset consultants who typically focus primarily on the manager search and due diligence function, which as illustrated below, is only one part of the overall role of the integrated asset management role.

### CIO vs Manager Search Roles





As a result, a CIO provides clients with the following benefits:

**1. Comprehensive & Integrated Advice:**

The advice provided by a CIO spans the full spectrum of the asset management function – policy, management & review – but is accomplished within an integrated approach to goals-based portfolio construction, while stewarded with a fiduciary mindset.

**2. Ongoing Relationship**

CIOs, whether on a fully dedicated or outsourced basis, typically have an ongoing professional relationship with their Steward clients. As a result, CIOs are available for ongoing dialogue with their clients and not only when investment manager changes are required. Such a relationship leads to increased continuity in the overall asset management function, which ultimately benefits Stewards and their investors.

**3. Unwavering Objectivity**

Most CIOs operating a multiple manager solution for clients do not have their own proprietary investment products that they provide to clients. As a result, the investment solutions and services that they provide to their clients are fully objective and delivered with the clients best interest in mind at all times.

**4. Shared Responsibility**

We believe that Stewards do not want to bear the burden of full responsibility for every investment solution implemented – although they are clearly accountable. Instead, we believe that Stewards expect their professional advisors to share that responsibility. A CIO provides clear advocacy of all proposed solutions.

**5. Value**

Given the ongoing nature of the CIO relationship, Stewards and their investors are typically provided with solid value as the costs of CIO service are normally amortized over the full term of a multi-year professional services agreement instead of being compacted into a series of one-off consulting engagements for manager search & due diligence assignments.

By adopting a broader definition to the CIO role that merely “investment manager search & due diligence”, we believe that the investor client will be better served, and that in a world in which global investment opportunities simultaneously exist with a new set of risks, Stewards of wealth will be far more successful in fulfilling their fiduciary obligations of “the diligent pursuit of the investor client’s investment objectives”.

# Contact

HighView is based in Bronte Harbour in Oakville, Ontario. The Town of Oakville is a beautiful community situated on Lake Ontario, just 30 minutes from Downtown Toronto.

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*Facilitating Excellence in the Management of Wealth™*

HighView Financial Group is comprised of the following businesses:

HighView Business Advisory Services Inc.  
HighView Asset Management Inc.  
Concord Canada Wealth Solutions Inc.

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