Ongoing Evaluation

At this stage, with the asset allocation and investment analysis portion of the investing process complete, an uninformed or inexperienced party may think that the art and science of investing had run its course, and a financial advisor (if you have one), need do nothing but send quarterly monitors, and collect their fees; however this perception could not be more incorrect. After your money is invested, the art and science of financial advice has only begun. To be successful, your helper must stay actively involved in the management of client assets.

First and foremost, due diligence (as described in our course) is an ongoing process. It begins before a manager is selected and continues for the lifetime of the account (or as long as that manager remains in the portfolio). Circumstances may change for manager or client, and the consultant needs to remain on top of the situation. The nine P's described above should continue to serve as guidelines for maintaining a deep and intimate professional knowledge of all relevant aspects of each manager used unless or until the account is terminated.

Also at the implementation stage, contract with the manager will be negotiated, and a plan for transition management will be set up, the funnel in the client's assets. Analytical monitoring of the portfolio should also begin at this time.

Benchmarking, measuring your portfolio against an index, can present difficulties, since there are few pure style managers, and because each of the managers may use cash in varied amounts. Specialized portfolios generally require specialized benchmarks, and the more customized the portfolio the more customized the benchmark must be, in order to provide an equal (but not identical) hypothetical portfolio to measure actual performance against. Since customized services demand more skill and effort from the Manager, they may be reluctant to provide them, or may charge an additional fee (especially for smaller clients or accounts). These benchmarking difficulties can be alleviated by establishing the correct comparison early on in the process, and in making any special arrangements necessary with the manager (or managers) at account inception.

Monitoring Portfolios

Monitoring the progress of the client's road to meeting goals is much more than sending a regular statement of the account. The financial professional's standard has been to provide a quarterly evaluation, including the following:

- Statement of assets and gains or loss by manager or investment
- Securities held at the close of the period by manager or investment
- Securities bought and sold during the period
- Beginning and current asset and investment style allocation, including any adjustments made during the period

- Beginning and ending values.
- Client contributions and withdrawals
- Income and dividends received
- Capital gains—long and short term—from the sales during the period
- Anticipated annual yield and/or income
- Percentage annualized time weighted return of the portfolio for the period, the year, trailing 12 months and since inception.

Lastly, the quarterly report will include a statement of current economic conditions with any changes which have occurred since the last report, and any changes considered imminent. Any recommendations to rebalance, reallocate or otherwise readjust will conclude the report.