FT 400
Top Financial Advisers

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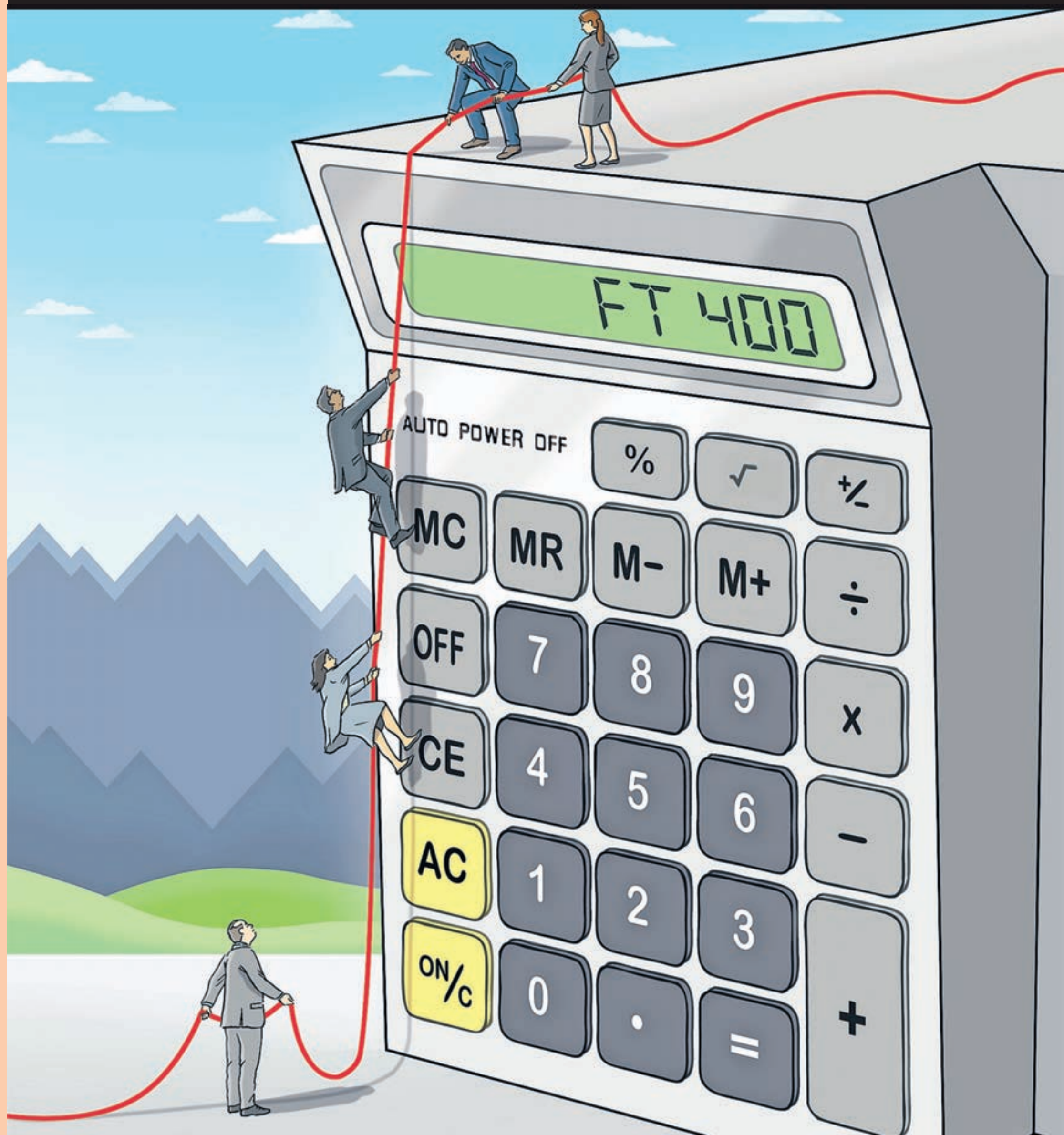

Illustrations: Daniel Mitchell

Industry scales value heights

Surveyed firms report that assets under management have grown by 30 per cent.

Name	Company	City	Client segments served			
			Individual	HNW*	Ultra HNW**	Institutional
Pence, Laila	**Pence Wealth Management**	**Newport Beach**		✓	✓	

The entry above is extracted from the California section of the FT 400 Top Financial Advisers report.

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Cheap oil prompts debate on best investment response

Energy

Few expect prices to remain low, but the trend demands action, says *Tom Stabile*

Investors may have digested the stark fall in oil prices — and even the rebound since January's lows — but the impact on their portfolios has yet to play out, say advisers and asset managers.

Oil prices always weigh on investors, says Richard Jones, a Los Angeles-based financial adviser in Merrill Lynch's private banking and investment group. The energy sector accounts for more than 8 per cent of the S&P 500 index, and commands an outsized share of investors' attention.

"Clearly what's been happening with oil prices has an impact on client portfolios and people's general anxiety," Mr Jones says.

The debate now is about where oil prices are headed and how investors should react. Few investors expect prices to stay low indefinitely, says George Papadoyannis, an adviser in San Mateo, California, who heads the Papadoyannis & Associates practice at Ameriprise Financial Services.

"I love filling up my gas tank for $60 and not $100," he says. "But most people don't believe it's only because of supply and demand. Most people expect prices will go back up."

The question is whether they will rise in 2015 or further out, and how much to adjust investments for the period that prices remain low. Advisers and managers say oil appears likely to hover around its current level this year.

Laila Pence, president of Pence Wealth Management, says: "We think oil prices are going to stay in the $50-$60 range per barrel. We're not in a rush to [react]." Her independent advisory firm is affiliated with LPL Financial and is based in Newport Beach, California.

Oil appears to be in a longer "bottoming process", says Bob Doll, chief equity strategist and senior portfolio manager at Chicago-based Nuveen Asset Management. "It will take a long time for the carnage to be done," he says.

Investors can approach this new reality by looking at the big picture, or through more sector-specific bets and particular investment vehicles. At a macro level, lower oil prices are good news, says Sean Clark, chief investment officer of Clark Capital Management Group, a Philadelphia-based asset manager.

> 'As the $20 bills accumulate, at some point Ma and Pa will say: "Hey, let's take a vacation"'

"A 50 per cent decline in oil [prices] acts as a tax cut for buyers, and that's a good thing for consumer confidence and the markets," he says.

Obviously, cheaper oil can impact energy companies, but it boosts prospects for almost everyone else, Ms Pence says.

It also will be positive for oil-importing developing countries such as China and India and low-growth European nations, Mr Jones says.

At a sector level, cheap oil may favour several investment moves, both bargain-seeking and growth wave-riding in nature.

Mr Doll says some large-cap energy stocks and capital goods companies related to the sector are attractive now, as are fuel-guzzling airlines.

Other sectors may benefit later in the year, as consumers muster their gas pump savings to spend on luxuries, such as entertainment and travel, Ms Pence says.

Mr Doll says that phenomenon boosts anything transportation related. "As those $20 bills accumulate, at some point Ma and Pa will say: 'Hey, let's take a vacation,'" he says.

US industry also will benefit from cheaper oil, furthering the "manufacturing renaissance" that started with lower natural gas prices, says Dryden Pence, chief investment officer of Pence Wealth. "As these prices work through the system, it increases the competitiveness of the US," he adds.

Investors should pursue any such ideas with caution until there is more certainty of oil's new level, Mr Clark says. "Nibbling is not a bad idea," he says. "Investors should be patient."

That means shifting "opportunity money to energy plays, but not "betting the farm", says Mr Papadoyannis, suggesting that clients consider energy-focused exchange traded funds or mutual funds rather than single stocks.

For clients who can take on illiquid holdings, energy-related alternative funds may be a viable play, Mr Jones says. "We're doing due diligence now on private equity and hedge funds both on the energy equity and debt side," he says.

Still, investors must keep risks in mind, especially the possibility that oil prices zoom back to $100 a barrel again or fall further, Mr Doll says.

Such swings would stun an already dazed market, he says, "creating dislocations and credit problems"

Methodology

How the 2015 list of the top financial advisers was compiled

In autumn 2014, the Financial Times contacted the largest US brokerage firms to solicit advisers' practice information and data for the top advisers across the US.

By seeking information in this manner, the FT was able to obtain verified data on assets under management instead of relying on self reporting by advisers. We asked for information on advisers with more than 10 years' experience and that had more than $200m in assets under management.

The FT then invited qualifying advisers — a list which totalled just under 1,500 — to complete a short questionnaire that gave us more information about their practices. We augmented that information with our own research on the candidates, including data from regulatory filings.

The formula the FT uses to grade advisers is based on six broad factors and calculates a numeric score for each adviser.

Areas of consideration include assets under management, asset growth, years of experience, industry certification, Financial Industry Regulatory Authority (Finra) compliance record and online accessibility.

The criteria can be taken to have broader meanings. For example:

Assets under management (AUM) — can signal experience managing money and client trust

AUM growth rate — growing assets can be taken as a proxy for performance, asset retention and ability to generate new business

Years of experience — indicates experience managing assets in different economic and interest-rate environments

Compliance record — provides evidence of past client disputes. A string of complaints could signal problems

Industry certifications (CFA, CFP, etc) — demonstrate technical and industry knowledge and obtaining these designations shows a professional commitment to investment skills

Online accessibility — illustrates commitment to providing investors with easy access and transparent contact information

Assets under management accounted for an average of approximately 65 per cent of each adviser's score. Additionally, the FT places a cap on the number of advisers from any one state that is roughly calculated according to the distribution of millionaires across the US.

We present the FT 400 as an elite group, not a competitive ranking. We acknowledge that ranking the industry's top advisers from 1 to 400 would be a futile exercise, since each takes different approaches to their practice and has different specialisations. The FT methodology aims to be both quantifiable and objective.

The research was conducted on behalf of the Financial Times by Ignites Distribution Research, a Financial Times sister publication.

Loren Fox

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Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

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