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## Conference recap: WMI Summit

by Kelsey Butler

Recently, family office professionals and wealth managers gathered in sunny Florida, for the second annual Wealth Management Insights Summit, to assess the current climate of the private wealth space.

About 90 family offices, hedge funds, alternative strategy and private equity-like money management firms attended to the event, held at the Ponte Vedra Inn & Club on February 24-26.

Keynote speaker Stewart Massey, founding partner and chief investment officer at Massey, Quick & Company LLC, set the tone for the conference with a discussion of alternative strategies investing in the world of QE tapering.

Massey told PAM: "I think that the quantitative easing not just here in the US but around the world by global central banks represents a series of unprecedented actions and those, as we know, can create unintended consequences.

"It's not just quantitative easing but also qualitative easing, which are themes that revolve around policy decisions, particularly the increasing regulation of the financial services industry.

Massey pointed out that, "there are opportunities across all asset classes."

He added that generally, investors are under allocated to equities.

"The other point that I would make about the equity market," he said, "is that when you look at cross correlations between individual stocks, in any index, correlations have dropped dramatically and in the kind of risk on, risk off period that we experienced from 2008 through the latter part of 2012, stock picking really didn't [have as big an effect]. These cross correlations have dropped dramatically and that's really good for active equity managers."

Additionally, Massey termed fixed income "an arena of capital destruction," adding, "I still think that medium to long duration fixed income remains a very dangerous place to be".

Massey pointed out that hedge funds should be risk management tools for investors, "especially in very spiky up years like 2013".

He noted that the alternative managers should mitigate draw down, volatility and correlation risks and are benefitting in the drop of cross correlation between asset classes.

Additionally, Massey noted that family office clients have a "higher degree of tolerance of lack of liquidity."

He added: "We continue to be enthusiastic about a variety of sectors: long-short equity and distressed [investing]."

Massey's views that active management is currently crucial was echoed by the 12 portfolio managers who spoke at three manager strategies panels during the conference.

**On the second day of the conference, Bruce Frummerman, CEO of communications and consulting firm Frummerman & Nemeth Inc., conducted a teaching session for the alternative strategies money managers on meeting family office investors' due diligence needs beyond the data.**

**He offered suggestions on how to better communicate investment beliefs and investment process so that family office investors can more easily conduct the due diligence they need and the money management firm can differentiate its strategy from that of competitors.**

**Commenting on what, beyond its numbers, do prospective investors want to know about a money management firm, Frummerman observed that it starts with two questions: How do you define the sandbox in which you play, and how does that compare and contrast to the related sandboxes of your competitors?**

**“Understanding and buying into the investment process of a fund —a key element of a family office’s due diligence vetting — is reliant upon how cogent, compelling and clear the fund is in telling its story,” Frummerman told the money managers.**

On the second day of the event, a group from CTC Consulting/Harris my CFO including director of hedge fund research David Upson, partner and senior consultant Dan Gimbel and director of hedge fund research Mark Thomas discussed risk management and relevant asset allocation and strategy-specific insights and tips.

When asked about what should be the biggest takeaway from their discussion, the group told PAM: “Risk management is a multi-stage process from portfolio construction down to the underlying fund manager level. Portfolio risk management systems should incorporate cyclical patterns in asset class return distributions.

“Most notably, it is imperative to apply higher correlations during periods of market stress through scenario analysis. At the manager level, one must understand both a manager’s investment edge as well as the firm’s operational characteristics. Knowing a manager’s edge and investment domain allows you to understand a track record and monitor the portfolio over time for relative performance and style drift. Understanding a firm’s operational characteristics, both internally at multiple points of the organization and through the firm’s external relationships, can reduce the risk of fraud and organizational surprises.”

Additionally, throughout the three day event organized by nGage Events, money managers met with family office investment committee members in previously scheduled one-on-one meetings.

During discussions throughout the three days, family office professionals emphasized that their high-net-worth individuals are expressing an increased interest in investments that align with their interests, whether that is impact investing, socially responsible investing or funding that gives them more control.

Another family office professional stated: “[These clients] are also far more interested in direct investing, having a bit more say and control without the related fees.”

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Bruce Frummerman is founder and CEO of Frummerman & Nemeth Inc. ([www.frummerman.com](http://www.frummerman.com)), a communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. The firm was named the Top US Hedge Fund Marketing Firm of the Year by *Acquisition International Magazine's* International Hedge Fund Awards for both 2014 and 2013. Founded in 1987 pre-Crash, Frummerman & Nemeth's work has helped money management clients attract over \$7 billion in new assets, yet they are not third-party marketers. Bruce has over 30 years of experience in helping money managers to develop buyer-focused positioning strategies to differentiate them from their competitors; create more cogent and compelling sales presentations and marketing materials to better tell their story; and use media relations marketing and industry conference speaking opportunities to help establish a branded identity for their organization by generating third-party endorsement for the expertise of their people, the value of their services and the quality of their products. He has authored many articles on the topic of money management firm marketing and is a frequent speaker on the subject at industry conferences. He can be reached at [info@frummerman.com](mailto:info@frummerman.com), or by visiting [www.frummerman.com](http://www.frummerman.com).