WHAT SHOULD YOU EXPECT FROM YOUR INVESTMENT ADVISOR?

What investors need to know

WORLD INVESTOR WEEK IN ZAMBIA
WITH
THE SECURITIES & EXCHANGE COMMISSION

Our Subject Today

A (qualified!) doctor cares about your health …

… a (qualified!) Investment Advisor cares about your wealth.

<u>DO NOT</u> leave your
investment decisions to chance!

Presenter – Ben Carter

- In offshore wealth management for 28 years.
- Founded Caravel Partners in 2010.

- Caravel is an OFFSHORE INVESTMENT ADVISORY helping individuals, families and businesses invest their money.
- Regulated by the Securities and Exchange Commission of the Republic of Zambia, Licence No. IAL/52/23

- REMARKS TODAY APPLY TO ALL INVESTMENT ADVISORS & INVESTMENT ADVISORY FIRMS, ONSHORE OR OFFSHORE

Role of Investment Advisor

An investment advisor plays a pivotal role – in fact THREE:

- **FINANCIAL ADVISOR** - ensures that your financial goals are identified, measured and costed.
- **INVESTMENT ADVISOR** - helps you navigate the complex landscape of investments to choose the right methodology and asset mix to reach the objectives/goals.
- **MONEY MANAGER** - your assets are managed according to market conditions, macro-economic realities; are protected.

Not all Advisors are equally effective. ***What do you need to check to ensure your Advisor will be effective for you?***

1. Professional Qualifications & Experience

Credentials matter! Indicates the Advisor has the knowledge, expertise, and commitment to adhering to industry standards.

- Is the Company AND the individual Advisor SEC regulated? This is fundamental – systems, procedures, accountability.
- Stockbroker & Investment Advisor qualification from ZCPIT & membership of the Capital Markets Association.
- Look for Chartered Institute of Securities and Investment, London. CISI qualifications (SEC Memorandum with CISI 2016)

2. Experience Counts

- Credentials are NOT the only indicator of an advisor's capability.
- Experience is equally critical.
- An experienced Advisor is likely to have encountered a wide range of market conditions and client situations.
- There are easier situations and ones where experience is crucial, e.g., an education fee plan vs. a very large lump-sum.

3. Evaluating Experience

- **Length of Service**: How long has the advisor been practicing? An Advisor with over five years' experience is likely to be more adept at navigating complex financial landscapes = my personal experience, and generally-speaking true.
- **Client Base**: Does the Advisor have experience working with clients who have similar financial profiles and goals as yours? Can he/she provide any references from existing clients?
- **Money under Management:** How much money is the firm managing, and how much the Advisor? Worth asking!

4. Your Risk Profile

Risk Profile - a measure of how much risk you can handle as an investor. **NOT** determined solely by your character.

- Your investment time horizon
- Emotional ability to handle risk
- Current portfolio position
- Lifecycle phase

- Determines what kinds of investments you should pursue.

✓ **ASK the Advisor** how his company goes about measuring your Risk Profile.

5. Personalisation of Advice

Cookie-Cutter Advice

Your financial situation is different from others. Make sure your Advisor invests time in understanding your individual needs and goals and creates a customized financial plan accordingly.

Insufficient Personalisation

You deserve personalised attention and to feel valued. As time goes on, expect your Investment Advisor to get to know you on a deeper level, understand your values, aspirations, and concerns, and use this knowledge to your financial benefit.

6. Quality of Investment Options

A **diverse range** of investment options is crucial for catering to your unique needs and preferences. Ensure that your Investment Advisor conducts thorough research and presents various investment opportunities that align with your goals, risk tolerance, and timelines.

As your circumstances evolve, your financial needs may change. Make sure your Investment Advisor remains **flexible** in their **service offerings**, adapting and expanding them as needed to cater to your evolving requirements.

7. Transparency – Fees and Risk

- **Hidden Fees**

Transparency is essential when it comes to fees. Your Investment Advisor should clearly outline the fee structure and explain the value you receive in return for your investment.

- **Risk**

You **MUST** receive a written Investment Proposal or Report. Contained therein must be a risk(s) assessment of the asset(s) being offered.

8. Risk / Reward

- MEASUREMENT OF RISK is not only the measurement of *your* personal appetite for risk but also of the assets presented to you.

- Definition: the possible profit that a particular activity may make, in relation to the risk involved in doing.

- For most market instruments, the risk/reward spectrum is well-known: **CASH BONDS EQUITIES ALTERNATIVES**

- Can your Investment Advisor show you that he/she understands this, and (**CRUCIALLY!**) can he/she disclose to you as fully as possible where any specific **ASSET** belongs on this spectrum?

8. Reporting & Information Access

- **Communication**

Expect clear and timely communication from the Advisor. Make sure your Advisor is responsive and proactive in keeping you informed about your investments, market trends, and overall strategy.

- **Portal**

You should ensure you are invested with a Provider which gives you a personal login/password to its online portal so you can view your account documents and account valuation 24/7.

9. Paperwork

- **Fact Find** – resource / time frame / goals / needs
- **Risk Profiler –** questionnaire to assess your risk profile
- **Proposal** – details of analysis / provider & product / asset description / risk assessment
- **Terms of Business** – main working together details
- **Acceptance Letter** – your confirmation that you accept the investment proposal made to you

10. Conclusion - Avoiding Scams and Fraud

- Deal only with licenced and regulated Investment Advisors. Check the Advisor’s entry on the SEC website. These Advisors have a physical, registered office.
- The regulators in Zambia are your friends. Follow SEC, PIA and BofZ on LinkedIn and the media.
- A phone call, Whatsapp text or SMS offering anything that sounds too good to be true is **NOT TRUE** (huge returns; “it’s guaranteed”; obscure foreign stocks which you’re told are the next Microsoft or Apple). Block the number and report to SEC.
- Follow the advice given in this presentation.

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