POSITIONING PORTFOLIOS
FOR WEALTH

GUARDIAN PARTNERS INC

FINANCIAL RISK ANALYSIS

At Guardian Partners Inc. (Guardian Partners), we know that proper portfolio positioning is vital in leveraging opportunities and navigating challenges. That is why our team of investment professionals utilizes their resources and extensive experience to identify the road ahead, analyze your financial risk and position your portfolio for what may come.

Our thorough analysis process aims to identify potentially concerning portfolio issues, including hidden stock concentrations, unnecessary costs, tax inefficiencies and strategies that are misaligned with investors' goals. By identifying and rectifying such issues, we can help investors more effectively locate risk and opportunities within their portfolio.

WHAT DOES OUR FINANCIAL RISK ANALYSIS AIM TO RECTIFY?

An Undefined Portfolio Makeup

The findings of our risk analysis can often serve as an investor's first overall view of their portfolio. In providing this service, we increase the odds of discovering both risks and concealed opportunities. Often, we find that many high-net-worth investors have previously never had the opportunity to view their portfolios in one consolidated report. Most importantly, it is key to determine whether that portfolio was built by default or design.

We believe it is necessary to manage plans actively and with discipline, proactively recognizing when a shift in strategy may be necessary. This big picture view can help clients make the most of their investments

Lack of Asset Class Diversification

During our Financial Risk Analysis, we often discover entire asset classes absent from an investor's portfolio. As both global markets and asset classes tend to behave unpredictably, we believe it is vital to diversify across markets and securities. Our analysis allows us to provide an updated approach to asset allocation, enhancing the potential to anticipate and act on market moves or short-term disconnects between and within asset classes.

Hidden Portfolio Risks

Whether it is a misalignment between risk and reward, duplications within asset classes, holdings or sectors, or a failure to properly estimate future liabilities (e.g. taxes, healthcare, retirement), many portfolios contain more risk than the investor is aware of or may be comfortable with. As an example, fixed-income holdings, though often viewed as safer than equities, can contain their own unique risks which many wealth managers can fail to identify. This may include odd lots in holdings, overexposure to riskier securities or a high concentration across sectors, maturities and geographies.

Sector Overexposure

A lack of proper rebalancing and alignment across strategies and accounts can cause a portfolio to suffer from overexposure to specific asset classes, holdings or sectors. We tend to see high-net-worth Canadians whose portfolios experience a 'home bias,' focused almost solely on dominant sectors that make up a large portion of the S&P/TSX Composite Index. Such conditions run contrary to stated investment mandates and can expose investors to unnecessary risks.

Number of Holdings

Problems can occur when investments are concentrated in a limited number of holdings, or when they are spread across too many. Many investors believe diversification only refers to asset classes, ignoring the benefits of sub-asset class, industry and sector diversification opportunities. This can alter the total portfolio picture for the worse, and has the potential to impact volatility and returns.

Chasing Trends

We believe long-term strategies, patience and discipline are the core components of successful investing. This, however, is easier said than done. The temptation to alter a portfolio to react to current trends and events can seem overwhelming at times; however, giving in to this desire can quickly turn into a means of wealth destruction. Furthermore, investors are often not aware of how much of their current portfolio was constructed as a means of doing just that. This is why we believe our Financial Risk Analysis is an essential means of understanding your current investment strategy and building a plan for the long run.

Poor Tax Management

Active tax management is a huge advantage in portfolio construction; yet many investors overlook this, with same-stock holdings spread across different funds and accounts. Longer-term fixed-income and excessive mutual fund holdings are also a risk, as tax-impacting decisions cannot be easily controlled in these assets. By looking at an investor's complete portfolio during our analysis, we aim to locate missed opportunities to harvest gains and losses while identifying errors in asset selection. We also collaborate with your personal accountant or tax advisor when developing your investment program, in order to maximize opportunities.

Hidden Costs

So much of what goes on in a portfolio may be difficult for an investor to be on top of. From embedded transaction charges to manager overlays and undisclosed lock-ups, extra costs are often the result. Sometimes, a firm's compensation structure and strategies can be tailored to reward the advisor instead of the client. Our analysis seeks to demonstrate the true value of advice an investor is receiving after all management fees, transaction and mutual fund costs are included. We want investors to know what they are paying for and why.

If you are looking for an in-depth analysis of your portfolio and its future potential, Guardian Partners is ready to explain the risks and opportunities available in taking the next step toward successful long-term wealth management.

Contact us to learn more about how we can help you achieve your unique inancial goals.

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