

## *An Investment Policy: Critical to Protecting Your Wealth*

### **An Investment Policy Is Essential**

Every institutional investor, from Endowments like Harvard University, to pension funds like CalPERS to Foundations like the Gates Foundation, has an Investment Policy. This policy provides the framework for how assets are managed over the long-term. *An Investment Policy is just as essential for high-net-worth individuals, and yet few individuals have one.*

An Investment Policy considers an investor's unique circumstances. It establishes a *Financial Plan* and *Benchmark* to guide the management of financial assets over time. Too often individual investors invest without a pre-defined plan. They take too much risk and then sell at the wrong time or they chase historical returns and pay high fees. Advisors, managers and accountants who work with individuals expose themselves to liability if they direct client investments without a pre-defined policy.

### **Creating an Investment Policy**

Policy design starts by determining the key drivers of a client's future financial well-being. We focus on each client's goals, assets, future cash flows, as well as risk appetite and tax circumstances. Each individual is unique; it is inadequate to bucket all investors into one of three types (conservative, moderate, or aggressive). Further, maintenance of a policy should be an iterative process. As needs and risk appetites change, the policy must evolve as well.

### **The Importance of a Benchmark**

An Investment Policy results in a benchmark portfolio that prescribes the baseline mix of assets appropriate to meet client goals. This benchmark provides an essential anchor during inevitable times of market volatility. Without it, investors often overreact, buying after the market has run-up or selling after a big decline. A benchmark also enables a client to hold his investment manager accountable. Is the manager adding value net-of-fees? Without a yardstick to measure performance, the question is impossible to answer.

In reviewing the portfolios of potential clients we often find they are unsure if their past returns have been good or bad. The answer, of course, depends on the risk taken. If a client asked his advisor to invest in US equities, the risk of loss is high and the advisor should prove his worth by outperforming the US equity market. If the mandate is instead to invest only in fixed income, the risk is lower but again the client should assess performance relative to that mandate. The S&P 500 is up 20%+ in 2013 while fixed income is down. The opposite was true in 2008. Comparing across mandates is comparing apples to oranges.

Most often clients want to take moderate risk to meet long-term goals and a blended benchmark across equities, fixed income, commodities and alternatives is appropriate. Even there, we have examined portfolios that generated roughly 20% cumulative gains over the last few years, only to uncover that, given the exposures taken, returns should have been over 40%! Without a benchmark, the client has no way of knowing the extent of portfolio risk and underperformance.

### **Why Doesn't Everyone Have a Benchmark?**

The fact is, they should. But when you look at the layers of fees charged for managing the money of individuals, net-of-fee performance simply cannot keep up with a passive benchmark. And too few individuals know to demand an investment policy.

### **Conclusion**

Every client should have an explicit Investment Policy. It sets expectations, it guides investment decision-making, and it creates accountability. You would not set off on a journey without a map to guide you and a compass to tell you if you are off course. We believe every investor must have a map (Investment Policy) and compass (Benchmark Portfolio) to guide their investment journey.

---

# **W** ealth Management Team

## **George L. Perez, Wealth Management Advisor**

Mr. Perez is responsible for the management of several of GenTrust's major client relationships. Mr. Perez is the trusted advisor to GenTrust clients for establishing and managing relationships with attorneys, estate planners, accountants, real estate brokers, mortgage and insurance brokers. Given the multi-national needs of many of GenTrust clients, this role encompasses working across dozens of geographies and firms.

Prior to co-founding GenTrust, Mr. Perez served clients at Merrill Lynch for over 2 decades. Mr. Perez spent 7 years with the Institutional Fixed Income desk, where he developed expertise in cash management strategies, retirement planning and philanthropic planning. He specialized in working with clients' legal and tax advisors in regards to estate planning, charitable giving, wealth transfer and tax planning issues.

Mr. Perez graduated from Rutgers University with a Bachelors Degrees in Economics and Latin American Studies. Mr. Perez is fully registered with a Series 7 and 66. Mr. Perez also holds the distinction of being a Certified Investment Management Analyst, obtained from the Wharton School of Business, as well as a Certified Financial Planner™ designee.

## **Gui Socarras, Wealth Management Advisor**

Mr. Socarras is responsible for the management of several of GenTrust's largest client relationships. Prior to co-founding GenTrust, Mr. Socarras worked at Merrill Lynch for over 10 years, where he gained experience in investment selection and risk management. Mr. Socarras was also responsible for the evaluation and execution of several high-profile-client private equity transactions involving nationally recognized brands.

Mr. Socarras graduated from the University of Florida with a Bachelors Degree in Business Management.

## **Rhahime Bell, Wealth Management Advisor**

Mr. Bell is responsible for the management of GenTrust client relationships, including individual investors, institutional clientele, and business owners. His focus is to leverage his broad experience in Global Markets, Corporate Budgeting and Risk Management to provide clients with insightful advice to help them achieve their financial goals.

Prior to GenTrust, Mr. Bell served as Managing Director of UBS where he arranged and executed over \$10 billion in risk management structures. Mr. Bell was the Head of the Tax Exempt Risk Management Group, where he led a team responsible for advising municipal, healthcare, and corporate clients on asset liability management and investment strategy. Prior to UBS, Mr. Bell was a Vice President of the Emerging Markets Group at JPMorgan where he helped to plan risk management strategies for both corporate and governmental clients in Argentina and Chile.

Mr. Bell is a graduate of Georgetown University with a dual degree in Finance and International Management. He has served as a lead angel investor in several early stage companies in a variety of sectors, including technology, real estate, and entertainment.

## **James A. Colavita, Wealth Management Advisor**

Mr. Colavita specializes in creating wealth management strategies, aimed at helping clients meet their financial goals and objectives. His focus is a planning based approach to financial management, incorporating cash flow, retirement and estate planning strategies in a customized framework to best achieve client goals. Prior to joining GenTrust, Mr. Colavita worked at Merrill Lynch for over 18 years.

He holds a Bachelor of Science Degree in Finance from Binghamton University and an MBA from Fordham University's Graduate School of Business. He also holds the Certified Financial Planner, CFP® and the Chartered Retirement Planning Counselor, CRPC® designations.

---

# Senior Investment Team

## Jim Besaw, Chief Investment Officer

Mr. Besaw is responsible for the oversight, selection and management of all investments at GenTrust, as well as the development of new investment strategies.

Prior to co-founding GenTrust, Mr. Besaw worked at Element Capital, a \$4 billion global macro and fixed income relative value hedge fund manager. Mr. Besaw was responsible for the firm's asset class expansion, new business development, evaluation of private investment opportunities, marketing, and investor relations. Mr. Besaw served on the firm's risk committee and spent extensive time on macroeconomic strategy, positioning and portfolio hedging with Sovereign Wealth Funds, Pensions, Insurance Companies, Fund of Funds and Family Offices.

Before joining Element, Mr. Besaw was a Managing Director at Barclays Capital, where he was the head of USD Fixed Income Options trading. Mr. Besaw managed a team of 12 traders across 3 time zones often representing over half of the risk taken by Barclay's Fixed Income franchise. His group generated over \$300 million in trading profits during his three years at the firm. Prior to Barclays, Mr. Besaw was a Vice President and Head of USD Fixed Income Options trading at J.P. Morgan Chase.

Mr. Besaw graduated with distinction from Yale University with a Bachelor of Arts in Economics and Mathematics. Mr. Besaw won the Ronald Meltzer Prize for most outstanding senior essay in economics: *Managing the Risks of Plain-Vanilla and Exotic Options*. Mr. Besaw is a Chartered Financial Analyst.

## Hugh Nickola, Head of Fixed Income

Mr. Nickola is responsible for the management of all fixed income and cash investments at GenTrust.

Prior to joining GenTrust, Mr. Nickola worked at J.P. Morgan Chase for 16 years, most recently as Managing Director of Global Rates and Municipal Proprietary Trading. In this role, Mr. Nickola led a trading group based in New York and London focused on exploiting

macro trends in global currencies and rates. He also successfully managed a large portfolio of tax-exempt securities and their associated hedges through the credit crises. Prior to this role, Mr. Nickola was the head of Tax-Exempt Capital Markets and Municipal Proprietary Trading, where he managed all activities in municipal cash bonds, derivatives and a variety of structured products.

Mr. Nickola graduated with a Bachelor of Science degree in Electrical Engineering from Columbia University. Mr. Nickola is series 7, 63 and 53 certified.

## Eli Cohen, Head of Alternative Investments

Mr. Cohen is responsible for development and management of alternative strategies including hedge fund, private equity, opportunistic and other non-traditional investments.

Prior to joining GenTrust, Mr. Cohen worked at Strategic Investment Group, an independent investment office for pension funds, foundations and endowments with \$30 billion in assets under management. Mr. Cohen was a senior member of the Alternatives Investment Team. Mr. Cohen had responsibility for manager identification, due diligence, performance analytics and portfolio construction for a \$4 billion dollar portfolio of hedge funds. In addition, he established a portfolio of opportunistic investments.

Before joining Strategic Investment Group, Mr. Cohen worked in Structured Credit at Lehman Brothers where he covered hedge funds and proprietary trading desks.

Mr. Cohen received a JD from Harvard Law School and an MBA from Harvard Business School, where he was named a Baker Scholar, the School's highest academic distinction. His JD/MBA thesis analyzed the distorting role played by credit rating agencies in capital market governance. Mr. Cohen received an AB from Harvard College, magna cum laude in Economics.

Mr. Cohen is a member of the DC advisory board for the Posse Foundation and a trustee of the Air Force Aid Society.

*This material is distributed for informational purposes only. Any statements regarding future events constitute only subjective views or beliefs, are not guarantees or projections of performance, should not be relied on, are subject to change due to a variety of factors, including fluctuating market conditions, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond our control. GenTrust Wealth Management LLC ("GenTrust") has gathered information contained in this document from third-party sources we believe to be reliable, but we do not guarantee the accuracy or completeness of such information. No part of this material may be reproduced in any form, or referred to in any publication, without the express written permission of GenTrust.*