

# Financial Insights

from Quinn+Cardy Wealth Management  
of BMO Nesbitt Burns

## The Benefits of Having a Portfolio Manager

The investing world is constantly evolving. Just 25 years ago, equity diversification largely meant looking at major economies in Europe and Japan, while fixed income portfolios were mainly focused on government and corporate bonds. Over the years, globalization, new technologies and innovative changes to the capital markets have created new opportunities. Investor portfolios continue to adapt and so have the way that they are managed. As such, having a portfolio manager can provide benefits.

### What Is Portfolio Management?

A portfolio manager controls the daily decision-making functions of the portfolio, having “discretionary” control to make buy/sell decisions on behalf of the investor. Discretionary management doesn’t mean that an investor loses control — the account is managed based on parameters set by the investor, such as risk tolerance, personal goals/requirements and investment wishes.

Discretionary management allows for a more active approach to managing an investor’s portfolio. Without this, it is often neither practical nor prudent for an advisor to make active decisions for every investor on an ongoing basis; it would be extremely time consuming to achieve buy/sell approvals for so many transactions. Discretionary management allows an advisor to quickly make changes in response to market conditions, an investor’s changing needs, or to capitalize on opportunities.

### Why Is This important?

Two important responsibilities of an investment advisor are to manage portfolio asset allocation and risk.

**Asset allocation** — Given that the risk/return profiles of asset classes continue to evolve, and certain holdings perform better than others, regular portfolio rebalancing is important. Discretionary management allows changes to be made with ease should things become unbalanced.

**Risk Management** — As risk managers, we constantly monitor the investment environment and make adjustments where necessary, in accordance with an investor’s specific level of risk



tolerance. Risk management may also require acting defensively by taking appropriate positions in a timely manner. Discretionary management facilitates the risk management process.

Equally important, discretionary management helps to remove investor emotion, which may cause portfolio underperformance. For example, an investor may be reluctant to sell a particular security because it has performed well in the past. Yet, if it has caused a particular asset class to be too dominant, there may be risks should the risk/return profile of the asset class change.

### Trust Is Key

Developing a high level of trust with the investor is important within the discretionary relationship. Portfolio managers operate under strict ethics requirements that emphasize acting with care and honesty, and in the best interests of investors. Portfolio managers represent a very small percentage of advisors and the designation requires some of the highest levels of education and experience.

If you have questions about this, or other aspects of your portfolio, please get in touch. As always, we are here to assist.



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