

“My overall philosophy, having been in the business for 31 years and having seen some of the largest market corrections in history, is to design a portfolio that will endure in adverse market conditions.

— Peter Lohead, CIBC Wood Gundy

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Weatherproofing a portfolio

By Paul Brent

The loss of his wife to cancer five years ago not only made him a single parent to his three young daughters, it changed Mike Froome as an investor.

Prior to that, Mr. Froome was cavalier and aggressive about his family's investments, as he has had four different advisors in the past and always held a high-risk, equity-heavy investment portfolio.

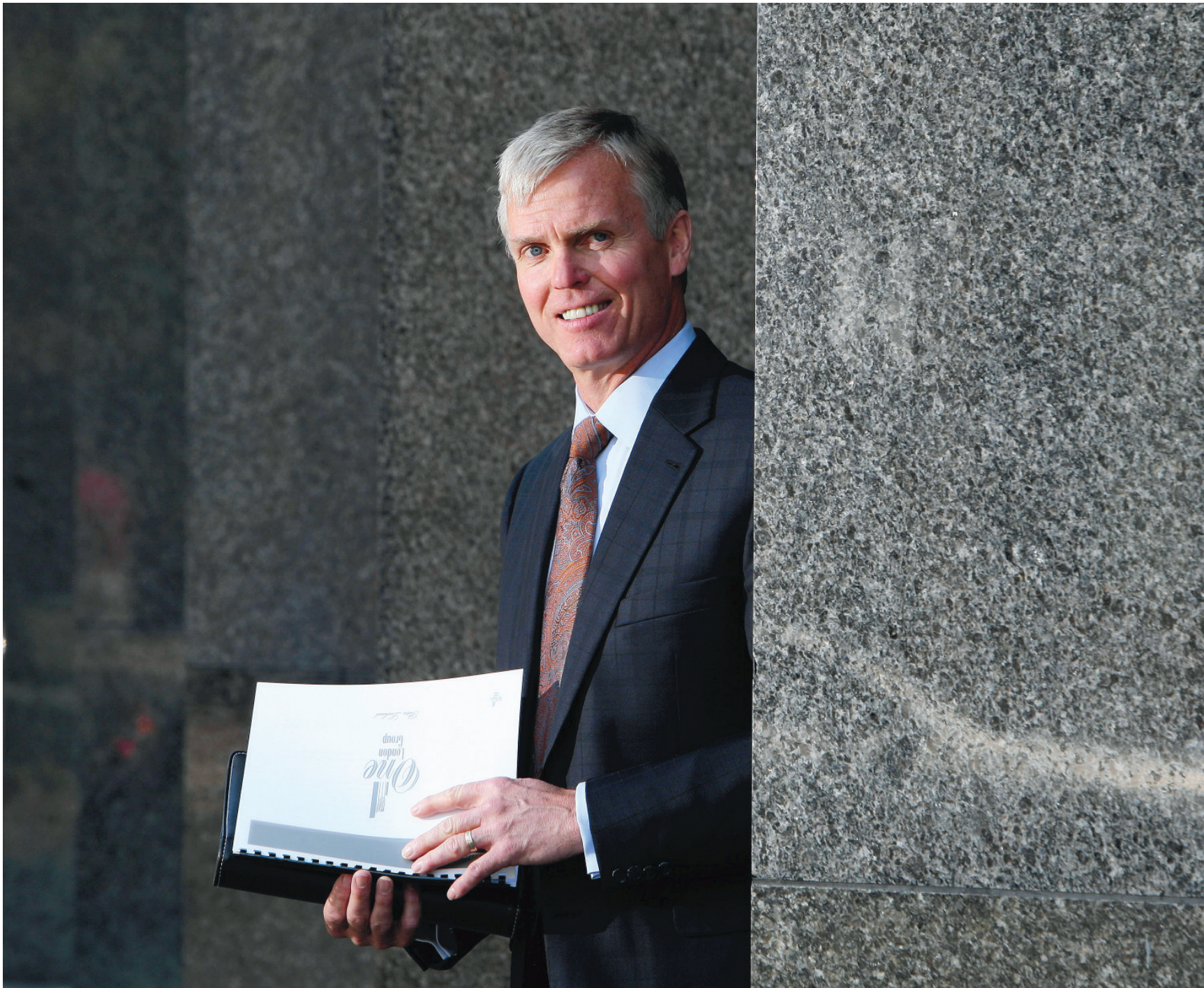
“The advisor I had basically followed my lead” with respect to his aggressive, technology-heavy portfolio, Mr. Froome says.

“My objectives changed overnight,” as a mid-forties-aged single parent, Mr. Froome says. “I had always been a bit of a high-risk participant in the market but having three girls on my own demands a conservative approach to investing.”

Fortunately Mr. Froome, the co-owner of a southern Ontario printing company, was socially acquainted with London, Ont.-based financial advisor Peter Lohead. Mr. Froome casually mentioned to a friend that he was considering moving his investments to Mr. Lohead. His friend said, ‘With Peter Lohead you will find, as with all businesses and services, that there is a cream of the crop.’ This convinced Mr. Froome to meet formally with Mr. Lohead, a CIBC Wood Gundy vice-president, and change his advisor along with his investment outlook.

“Sitting and talking with Peter, the No.1 thing for me was how approachable he is. He easily breaks down barriers and makes it comfortable for me,” says the London, Ont., resident. “Everyone says we are supposed to be honest with our financial advisors, but it is not that easy. It is like meeting with a doctor or a lawyer: If they don’t have that rapport, you are a bit guarded. Some professionals make you feel ignorant, like ‘This is something I should know,’ which makes it more difficult to open up. Peter always finds that connection and makes you feel part of the process.”

The client and advisor were able to quickly strike a comfortable relationship; the business owner was able to describe his personal and financial situation and “honestly disclose all my finances from where I’m at, where I want to go,” he recalls. Extremely busy with his printing business and his three daughters, aged 16, 14 and 12, Mr. Froome wanted the peace of mind that comes with a less aggressive “pension style” in-



CIBC Wood Gundy financial advisor Peter Lohead says he tailors his clients’ portfolios specifically to withstand market upheavals.

vestment approach and the confidence that he had retained a top-notch investment advisor. He believes he has found that in Mr. Lohead and his team of experts (called One London Group). Mr. Froome and Mr. Lohead meet quarterly to discuss the investment portfolio, as well as at other times to discuss and consider strategies related to his printing company.

For CIBC Wood Gundy advisor Mr. Lohead, who has been in the investment business for more than three decades, his new client came to him with “a mishmash of different mutual funds that didn’t really have any relevant objective to them.” He worked to create a comprehensive investment strategy that follows a long-term, risk-adjusted pension fund approach.

“The original investments had no proper asset allocation and was basically 100% equities, which made it very aggressive,” Mr. Lohead recalls.

From an investment per-

spective, the timing to revise Mr. Froome’s portfolio in 2006 could not have been more fortuitous. The stock market was rocked by the financial crisis and dropped dramatically in 2008. Mr. Lohead had just enough time to get Mr. Froome out of most of his riskier mutual fund holdings and design a portfolio that he could believe in and would stand up in all kinds of market conditions.

“My overall philosophy, having been in the business for 31 years and having seen some of the largest market corrections in history, is to design a portfolio that will endure in adverse market conditions,” Mr. Lohead says. “You build a house in this country with double-pane windows

because you know in January it will be needed. I want my client’s portfolios to withstand the worst market storm. I always ask my clients how they will respond to a market correction before it happens, not when we are in the middle of the storm.”

The disciplined, pension-style approach means that most of Mr. Lohead’s clients sit out hot investment trends such as the tech boom (and bust) of the late 1990s and, more recently, the commodity craze which, in the past few weeks, has given up much of its market gains.

“We participate in the commodities primarily through flow-through investments, where you get the government

paying for 50¢ of each dollar invested,” Mr. Lohead says.

The advisor uses the analogy of hockey great Wayne Gretzky anticipating where the puck is going to be, not where it has been, to describe the investment approach he uses with Mr. Froome and his other clients.

“It applies to the investment world, where you have got to anticipate where money is going, not where it has been,” Mr. Lohead says. “You want to be looking long-term, and that comes back to the whole pension-style approach of buying quality investments and working with quality investment managers who stick with that approach.” As a result, Mr. Froome’s portfolio only fell “a fraction” of the precipitous decline that most investors suffered through in the crash of 2008 and early 2009.

It also bounced back faster than most others, Mr. Lohead says.

“When the market cor-

rected in 2008-9, I wasn’t worried, I wasn’t concerned,” Mr. Froome recalls. “Not that I didn’t call Peter’s team a couple of times and say, ‘Peter, Barry Gray (associate financial advisor) Linda Tindale (sales assistant), should I be reacting to this?’ They always told me, “Don’t worry, the portfolio will come back.”

Mr. Froome was also impressed when he mentioned to his investment team, One London Group, that he was unhappy with the rising premiums associated with his insurance for his family.

“I turned my insurance over to them and they did their due diligence, looked into different options for me and found a solution. They also managed to reduce my insurance costs with a more competitive solution than I had been paying for years,” he says.

“It wasn’t like I walked in the door and said, ‘Help!’ They just put everything in order for me.”

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Thomas C. O’Neill, F.C.A.
Chair of the Board, BCE and Bell Canada



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