

## PORTFOLIO MANAGER

# Going private

**Ray Sawicki** of Mandeville Private Client explains how the company is building a framework to increase access to private and alternative investments for its clients

**IT'S NO SECRET** that companies are always looking to differentiate themselves in the wealth management industry. One of the main ways they attempt to do this is by lowering costs, but Mandeville Private Client takes a different approach.

“When we characterize the Canadian wealth management landscape, it is highly fragmented, but there is a large concentration of wealth held among a very small number of firms,” says Mandeville senior vice-president and chief investment officer Ray Sawicki. “In this context, we ask, ‘What is the highest value-add we can provide to our clients [to] make them wealthy?’”

Mandeville’s answer goes beyond traditional public securities, opening up investors to the world of private and alternative investment opportunities.

“If you look at some of the preeminent creators of wealth – like the largest and most successful family offices, such as Thompson or Rogers, or preeminent institutional investors like the Canadian Pension Plan Investment Board and the Yale Endowment Fund – they invest in a combination of public, private and alternative investments,” Sawicki explains. “Yet the typical Canadian retail investor invests in 100% public securities. The invest-

ment needs of these imminent wealth creators are the same as retail investors – capital preservation, growth, income and minimization of taxes. Which begs the question, if the needs of the role models of wealth creation are same as the typical retail investor, shouldn’t the portfolio profiles be similar?”

Looking at some of the portfolios of the institutional investors Sawicki references reinforces this notion. In 2017, the CPPIB reported that 42% of its investments were held in private and alternative vehicles, while the Ontario Teachers’ Pension Plan had 58% in private and alternative investments. South of the border, the Yale Endowment Fund had private and alternative exposure of 73%.

Mandeville noticed this dysfunction in the Canadian wealth management industry and set out on a mission to resolve it by providing all investors with access to quality public, private and alternative investments, just like family offices and institutional investors. Sawicki notes that other players in the retail wealth landscape are not providing access to these types of investments.

“That’s for a variety of reasons,” he says. “It may not be the firms’ area of expertise, they may already be well entrenched in public securities and don’t want to transfer into



other areas, and a large part of it is also the regulatory landscape.”

Regulators have set rules for the distribution of non-prospectus private securities that differ from those governing traditional public securities. In addition, investors need to meet certain criteria to qualify as an accredited investor. Investors must be able to demonstrate an average annual income of at least \$200,000 or a combined household income of at least \$300,000 over the past two years, or have net financial assets in excess of \$1 million.

“The Mandeville difference is providing clients with the same type of private and alternative securities at a high quality,” Sawicki says. “The quality is really important – we have seen smaller firms provide pseudo access to non-traditional private securities, but we don’t feel it’s at the same level of quality.”

## The benefits for investors

The right exposure to private and alternative investments varies from investor to investor,



but Mandeville has put together a framework to determine the proper exposure so advisors can integrate private and alternative investments into portfolios with public securities.

“There is a premium investors are paying by limiting their investments to public secur-

ities when the otherwise similar private security may be available at a 25% to 40% discount for no apparent additional risk,” Sawicki says. “There’s a certain degree of liquidity investors may need [from public securities], but I would challenge the fact that most investors do not need 100% liquidity, which is the commonplace practice in the industry. When the objective is wealth creation, wouldn’t you want to optimize your returns by taking advantage of the illiquidity discount on private securities? The industry’s

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singular focus on public securities may lead to sub-optimal outcomes. Mandeville recognizes this dysfunctionality and empowers advisors to overcome it and create higher levels of wealth for their clients.”

Sawicki also points out the diversification

## WHO IS RAY SAWICKI?



**Role:** Senior vice-president and chief investment officer at Mandeville Private Client

**Industry pedigree:** Prior to joining Mandeville, Sawicki held roles at MD Financial Management, Macquarie Private Wealth, CI Investments and RBC Global Asset Management

**Education:** Sawicki has a bachelor of commerce and finance from the University of Toronto, an MBA from York University and is a CFA charterholder

benefits of including private and alternative investments in portfolios.

“These asset classes tend to have a different correlation of returns in a portfolio context,” he says. “When you are at a certain point in an economic cycle where public asset classes are devaluating, private asset classes are going to have a different sensitivity to the economic cycle. They often will not experience the same return outcome, which creates a muted return profile to downside events. There may be more stability in the long term, and portfolio risk is therefore reduced.”

Expanding opportunities for investors is another key benefit. Sawicki notes that public securities only make up around 30% of the investable universe, so expanding into private and alternative investments opens clients up to the other 70%.

Investing in private securities also makes it easier for investors to focus on the long term. Since public securities trade on an open market, there is inherent fluctuation that investors can watch day by day or even minute by minute.

“Often this creates a focus on near-term returns,” Sawicki explains. “Individuals are emotional beings, but the best investors are

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those who can detach emotion from the investment decision process. When you are watching value fluctuate up and down, there is a tendency to allow emotion to distort how you invest. Private securities act as a counter-balancing force because the value of privates is not as frequently broadcast.”

## Unlocking opportunities

The benefits of diversifying into private and alternative investments also extend to advisors. “It’s an opportunity to offer something unique to clients,” Sawicki says. “It allows them to differentiate their business, enhance relationships and grow their

portfolio manager in the client/advisor relationship and suitably allocating a portfolio of private securities for clients,” Sawicki explains. “This program is the only one of its kind in Canada. Additionally, advisors who are portfolio managers are able to act as the accredited investor and offer private securities. This allows for true democratization of private investments to all investors.”

Two recent examples of the quality private and alternative investments Mandeville has made available to clients through the affiliated Portland Holdings global network are in real estate and healthcare.

“The first was a real estate develop-

## “We believe in changing the paradigm and curing the dysfunctionality in the retail investment space in Canada”

**Ray Sawicki, Mandeville Private Client**

business in a landscape that can be very challenging. Above all, it is a mechanism for wealth creation.”

Bringing these opportunities to clients is how Mandeville differentiates itself from other firms. Thanks to its parent company, Portland Holdings, and its president and chairman, Michael Lee-Chin, Mandeville has gained a seat at the table with larger institutional investors.

“On the basis of Michael’s investments, we are able to see the same types of opportunities that large institutional investors see,” Sawicki says. “We believe in changing the paradigm and curing the dysfunctionality in the retail investment space in Canada.”

Mandeville also offers a unique program that facilitates access to private opportunities for non-accredited investors whose financial advisor is not a portfolio manager.

“The Mandeville Prestige Private SMA program provides access by serving as the

ment opportunity in the upscale Toronto Yorkville district,” Sawicki says. “This was an equity investment in a condominium development in one of Canada’s most fashionable and affluent neighbourhoods. The residential condominium project hopes to command the interest of affluent individuals. It is highly customized and exclusive and will be a landmark building designed by world-renowned architectural firm Fosters and Partners. Portland Investment Counsel structured a co-investment vehicle that provided Mandeville clients with access to participate in this exclusive private real estate investment.”

The second investment opportunity was in a private German company involved in the innovative targeted radionuclide therapy [TRT] area of cancer treatment.

“This private venture-capital investment gives access for Mandeville clients to co-invest alongside the Portland Holdings group

## MANDEVILLE PRIVATE CLIENT AT A GLANCE



**HEADQUARTERS**  
Burlington, Ontario



**YEAR FOUNDED**  
2012



**PARENT COMPANY**  
Portland Holdings



**LEADERSHIP**  
Michael Lee-Chin, director, chairman and CEO



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companies in the exciting and innovative area of oncology diagnostics and therapy,” Sawicki says. “Opportunities such as these leverage Michael Lee-Chin’s and Portland Holdings’ global network and experience as owners, operators and investors in diverse sectors globally.”

By continuing to build its framework and enhance retail investors’ access to private and alternative investments, Mandeville hopes to resolve a prevalent dysfunction in the industry and offer better opportunities and outcomes for advisors and their clients. **WP**