

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Consultant Profile: DeWees Investment Consulting Group

Stephen C. Winks

When you look around the investment management consulting industry at highly successful consulting practitioners, you will find the more assets one has under management, the more likely their practice will have an institutional focus. The consulting practice of the DeWees Investment Consulting Group is exceptional in that and in many other ways. The DeWees practice parallels the evolution of the investment management consulting industry, illustrating how one can convert a large commission brokerage book into an even larger consulting practice. It also provides an organizational model for management succession within a practice and how to build a very large consulting practice by providing a high level of investment counsel and value to high end retail clients.

The group's founder and mentor is Don DeWees, Sr., who is a highly successful broker, in fact, the most successful broker at Wheat First Union. In 1992, Don

DeWees, Sr. was diagnosed with leukemia and given just 18 months to live. Over the years Don had tried to recruit his son, Don Jr., into his business. His son was very successful in consulting to the ophthalmology industry, having built his own manufacturer's representative firm. But in 1992 as healthcare reform gained momentum and his father's health deteriorated, Don Jr., decided to sell his business and in early 1993 joined his father's team. Happily, within months of working together, his father's leukemia started retreating, and he is now in full remission. Don Jr. believes his coming into the business gave his father incentive to fight. Don Jr. observed, "My father worked all of his life to build this million dollar practice, and it was gnawing at him to think his book would be reassigned and his staff would have to fight for what they had helped build. The idea of passing the leadership on to his son and keeping the book in the family, while protecting his team was, in my opinion, one of the reasons he is here today."

Don DeWees, Sr. is an extraordinary man who has seen it all. With nearly 40 years in the brokerage business he has seen the market surge in '60s, the market collapse in the early '70s, the move to tangible assets in the hyper-inflation of the late '70s, the collapse of oil and real estate in the early '80s, and an almost continuous bull market since then. With such depth in experience and well-seasoned judgment, the investment

counsel of the senior Mr. DeWees had become highly valued in Wilmington, Delaware as reflected by his burgeoning business. In the mid-80s, Don Sr. had shifted his business from traditional commission brokerage to the sale of professional money management. Rather than sell a series of disjointed, unrelated transactions where it was not possible to add value, he sold several highly successful local money managers who had a proven record of performance. This not only differentiated him from the commission broker, but by knowing these money managers and knowing their management styles, their holding, their people and their track records, he could truly speak authoritatively

on the premier money managers in the area. His business grew very rapidly in the late '80s and early '90s when Don Jr. joined the firm.

In joining the firm in 1993, Don Jr. had to get licensed and go through Wheat First Securities' training program. It was at Wheat

First Securities that Don Jr. first learned from Pete Braden, Mark Staples and David Loeper about investment management consulting. The consultative approach was very similar to his work in ophthalmology, and the construction of multiple manager investment portfolios was an extension of his fathers' work in selling professional money management. This introduction to investment management consulting, particularly addressing and managing the investment values most important to each client, crystallized Don Jr.'s thinking and the direction he would like to take in serving clients.

When Don Jr. returned to Wilmington to work with his father, he sat in on many client meetings and listened intently to both his father and his clients. 1992 had been subpar with the S&P 500 being up just 7.6%, while 1993 was not much better at 10.1%. Growth managers had significantly underperformed. Adversity is the best teacher in the investment business; you learn more about the client than is possible in good times, and you learn a lot about yourself, your practices and the service you provide. 1993 was such a year for the DeWeeses. With what Don Jr. had learned from Staples, Loeper and Braden at Wheat, very dynamic discussions ensued between father, son and their team. The new idea of investment management consulting and the highly seasoned judgment of years of experi-

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ence converged, and a new, far more powerful delivery of professional investment counsel was about to emerge.

After years of extraordinary performance, the disappointing performance of 1992 sent several important messages to the DeWeeses. Some of the money managers with whom they were working were high turnover managers. In good times, no one was concerned about turnover because the results were so positive. Yet, in bad times high turnover strategies would generate lots of trades and lots of commissions, but poor performance. Because the DeWeeses' compensation took the form of directed trades from the managers, there could be a perceived conflict in objectivity. The DeWeeses decided to fire several managers and rather than redeploy the client's assets to another manager, they would build multiple manager investment portfolios designed to address the investment values most important to each investor. They also decided to charge an on-going advisory fee in lieu of directed trades from money managers. Thus, with their compensation derived solely from the client, there was no potential loss of objectivity in dealing with money managers. Their sole interest was in addressing their clients' needs. The entire client support team became enthusiastic supporters of investment management consulting, and collectively, they became the value that was being added. The level of service and the assets under the DeWeeses' management exploded. There were no arguments in the office as long as the client's best interest always came first. With this new strategy DeWees provided a much higher level of investment counsel at a lower cost. To say the least, the DeWees clients are happy. The DeWees Investment Consulting Group has emerged as a highly accomplished consulting firm with \$650 million in assets custodied at Wheat and \$4 million in revenues.

Don DeWees, Jr. adopted an investment consulting process which includes an asset study, investment policy, strategic asset allocation, manager search and selection, and performance monitoring and reporting. With every relationship the DeWees team explains that it is not possible to make specific investment recommendations until they have reviewed the fundamentals: risk, return, tax efficiency, liquidity and cost structure in the context of the client's assets as a whole. They would never know if a specific recommendation added value or what values it added until it was reviewed in the context of all of their assets. This open and honest discussion and genuine desire to add value for the client is very well received. All clients welcomed this high level of investment counsel and the high level of client service that resulted. Client assets under management have increased

dramatically, and client referrals have become a significant portion of their business. There is no one in Wilmington that is providing a higher level of investment counsel.

For new clients the team conducts an asset study which establishes exactly how all the client's assets looks as an investment portfolio, delineating risk exposure, return, tax efficiency, liquidity and cost structure. Don also audits investment policy. If a policy is in place, he evaluates the current portfolio holdings and discusses the client/consultant/money manager relationship structure. As you might imagine, the DeWees Investment Consulting Group wins a lot of business. All of their recommendations are portable in that if you change custodians, you can still maintain relationships with the money managers used in portfolio construction. In the next several weeks the DeWeeses will provide on-line access to client accounts in addition to providing a detailed quarterly portfolio review of all client assets.

The DeWees Investment Consulting Group is an eight-person team. Don and his father are the principals and the senior financial consultants. There are three registered associate financial consultants (relationship managers) with specific technical expertise in ERISA, estates, trusts and other area in which the practice focuses. There is also one registered assistant, one senior account administrator and one assistant administrator. The DeWeeses have created a structure for professional development within their practice from administrative assistant to senior account administrator, to registered assistant, to associate financial consultant. Each level of work entails increasing responsibility and a higher level of skills. Responsiveness to the client's needs, both stated and unstated, drives the entire enterprise. There is great pride in the level of service and the immediacy of response that allows the DeWeeses to rely heavily on their support staff which, in turn, provides a wonderful opportunity for the staff to grow and take on more responsibility.

The DeWees Investment Consulting Group is an excellent example of how the financial services industry is evolving from commission brokerage to professional money management, to investment management consulting, to an investment advisory firm which has transferable value based on the high level of investment counsel and value provided. It also illustrates how one can build a very substantial advisory business, primarily working with high end retail clients by building a support infrastructure which does not solely rely on the principal of the firm. The DeWees Investment Consulting Group is indicative of a new breed of investment advisory firms that have unlimited growth potential based on the level of investment counsel and value they provide. ■

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