



smarterinsight™

Maintain the efficacy of the portfolio

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Your adviser as your investment coach

Your adviser plays a key role as your investment coach. This series of short notes will explore six ways that a good adviser will bring true value to a client's investment programme.

- Value level 1: Establish your guiding principles
- Value level 2: Build a robust portfolio for all seasons
- Value level 3: Maintain the efficacy of the portfolio and avoid fads
- Value level 4: Providing support and guidance along the way
- Value level 5: Instilling the fortitude and discipline to rebalance
- Value level 6: Doing the boring stuff

This note delves into the third of these value levels: *Maintain the efficacy of the portfolio and avoid fads*.

Value level 3: Maintain the efficacy of the portfolio

Once a portfolio has been established, the next level of value that an adviser delivers is often hidden from sight. Given that a long-term portfolio structure has been put in place, and best-in-class funds have been selected to execute the strategy, it is quite usual that from one period to the next, not much changes in your portfolio. It appears that nothing is going on from the adviser's side. Some investors may even begin to feel that their adviser is not doing much for their money.

Nothing could be further from reality. Behind the scenes a good advisory firm will have an Investment Committee that meets regularly to monitor how each fund is performing, look at any new funds that might compete for best-in-class status, review new asset classes and investment ideas using the same rigorous and disciplined process used to select the incumbent investments in the portfolio, challenge the philosophical view using the latest academic research, and finally reaffirm or propose changes to the portfolio's structure or funds recommended. This list of activities is not exhaustive but represents some of the most important elements of effective investment governance.

In fact, a good rule of thumb is that the more complex a portfolio, the greater the number of funds used and the higher the level of activity that you see, the lower the chances of a successful outcome. Less is often more in investing, and a longer-term view is preferable to short-termism. As the renowned investment consultant and author Charlie Ellis states:

Activity in investing is almost always in surplus.

It is the discipline of the Investment Committee that stops clients getting sucked into investment fads and flavour of the month investment ideas.

We are an independent firm. We have therefore considered all the available risk choices / options, read the research, understood the theory and reviewed the copious empirical evidence that exists to help deliver sound recommendations to you. Largely handled within the Investment Committee, this has been done in a comprehensive, fair and unbiased manner.

Figure 1: Ongoing governance process, via the Investment Committee



Source: Albion Strategic Consulting

The process is continuously open to challenge. We keep an open mind, and a review of the latest evidence is undertaken on a regular basis as one of the agenda items for the Investment Committee. This is part of the reason why the solution we recommend to you begins and, importantly, continues to be at the leading edge.

Other notes and risk warnings

Risk warnings

This is a purely educational document to discuss some general investment related issues. It does not in any way constitute investment advice or arranging investments. It is for information purposes only; any information contained within them is the opinion of the authors, which can change without notice. Past financial performance has no guarantee of future results.

Where specific products are referred to in this document, it is solely to provide educational insight into the topic being discussed. Any analysis undertaken does not represent due diligence on, or recommendation of any product under any circumstances and should not be construed as such.

Past performance is not indicative of future results, and no representation is made that the stated results will be replicated. Portfolio performance data are for illustrative, educational purposes only and do not represent live client portfolios.

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