



## CONSULTANT PROFILE

### Rich Sichel

President, **Investment Performance Services**

Institutional investors have been looking for ways to protect their portfolios against the down market, and **Rich Sichel**, president of **Investment Performance Services**, has been recommending funds of hedge funds to clients to do the trick. Funds of funds have been a big source of search activity for the firm for the last several years, he said. Some of the firm's clients have 5-15% allocated to the asset class, and Sichel is recommending that pension funds increase their allocations between now and next year. IPS's Taft-Hartley clients have been investing in multi-strategy funds of funds so far. The firm has also added long/short equity funds of funds to its recommendations. The vehicles can provide better diversification, reduce volatility and protect the portfolio in different market environments, Sichel said.

#### On Manager Selection

In the funds of funds space, Sichel and the firms' consultants look for managers with a long and consistent track record of at least five years, those that will take on fiduciary responsibility, offer a dedicated ERISA fund, consistency of returns and low volatility. The funds should provide equity-like returns with bond-like volatility, Sichel said. He doesn't have a preference for large or small firms, but looks for managers that have funds of funds as their core business.

The firm is also recommending that clients invest in high-yield bonds or increase their allocations, as spreads have widened. Sichel is suggesting a 5-10% exposure to the area. The firm focuses on "high-quality" high-yield strategies and does not dip lower than BB bonds. This leads to lower chances of defaults, where "you can pick up a lot of yield, without picking up a lot of risk," Sichel said. In high-yield, or bonds in general, IPS also seeks out firms that have consistent results.

#### On Research

IPS's research staff is located at the firm's headquarters in Savannah, Ga., and the team is mostly responsible for doing due diligence on managers. The firm also assigns responsibility for an asset class to each field consultant as they are the ones working with both clients and managers and have a better handle on the

industry as a whole, Sichel said. The dedicated research staff, meanwhile, also handles due diligence when there are key departures at asset management firms. The firm has to "re-review" the strategy and assess whether the manager has retained the same capabilities, Sichel said.

Sichel also sits on a six-person investment committee, along with CIO **John Statts** and other senior consultants. The group meets weekly to discuss industry trends, asset allocation modeling, new asset classes or strategies, what's happening in the market in general and what clients are interested in or concerned about. Firm-wide recommendations are then derived from conclusions at these meetings.

#### On Plans For The Firm

Many consulting firms have started offering discretionary services to clients and IPS is also looking to do that soon. "I think it's a good idea for consultants. It's a way to put their best ideas to work in a timely fashion," Sichel said. He thinks it's a good idea for clients as well, as there is "value added by making things happen when the idea comes about, versus waiting for quarterly meetings." He has seen interest from clients and had some casual contact and discussions with them thus far. "They seem as though they want to hear more and learn more." He

thinks the firm will be able to implement a discretionary service through existing staff, but as the platform grows, IPS will consider adding, Sichel said. The firm is assessing fee structure.

IPS, which has locations in Savannah, New York and Philadelphia, where Sichel is based, opened a Chicago office last year. At this time, IPS is looking for opportunities and participating in RFPs for new business in the Midwest. All of the firm's clients are Taft-Hartley funds and IPS has \$30 billion under advisement in total, with client assets ranging from \$10 million to \$4 billion. **Tim Walters**, v.p., is heading the office and working on growing business in the Midwest. He joined from **Marquette Associates** in 2007. IPS has no specific plans to add staff in Chicago. It usually grows at a steady pace and adds consultants as needed, Sichel said.

#### Personal Notes

Sichel lives in Bucks County, Penn., with his wife and three children, ages eight, seven and four. He joined IPS in 1999 and was previously director at investment consulting firm **Hamilton & Company**, where he advised DB and DC plans. Sichel received his Bachelor's of Science in 1991 from **Rider University** in Lawrenceville, N.J., and also obtained his MBA there in 1996. In his free time he enjoys golfing, as well as watching ice hockey and baseball games.

"You can pick up a lot of yield, without picking up a lot of risk."

—on investing in high-quality high-yield