

# Neil Heriot offers a safe harbour with tested investment strategies



By TIM BOREHAM,  
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## **What is your background and how you did first get interested in financial planning?**

I grew up in Holbrook (in southern NSW) on a sheep and cattle property, attended a boarding school in Albury and then agricultural college in Wagga.

I then worked in the veterinary area (for Merck Sharp & Dohme) and in agricultural irrigation.

But I have always been interested in stocks and investment and in my 30s I decided the financial world held better prospects.

With three other partners, we started an investment advisory business in Adelaide in 1988 with Pembroke Financial Planners. Ord Minnett then bought into half of our business, which we subsequently built to 130 staff over eight years.

We became the second-largest financial services provider in Adelaide just behind Macquarie.

We introduced a fee-based model for clients in 1992 and I was instrumental in introducing the role of paraplanners into our profession.

My wife Deb and I moved from Adelaide to Sanctuary Cove in 2003 for weather and lifestyle reasons and started my boutique financial advisory business.

### **What are your specialties?**

I specialise in overall investment strategy and selecting investments which will meet clients' goals.

We use a "virtual wrap" for most of our investments (the Xplan advice automation tool). This increases the range of investments available for our clients, as many of the outstanding equity, infrastructure and property managers are not available on wrap platforms. With platforms you are beholden to whatever product provider it allows you to deal with and this can be quite restrictive. We have built a rapport with some of the smaller managers in equities and property who have produced great returns.

### **Who are your clients?**

I would say that 80 per cent of our clients are retirees and the rest are accumulators still building their wealth.

Generally they've got investable wealth between \$1m-\$20m, usually in the \$1m-\$5m range. But someone with \$500,000 in accumulation stage can grow to be a good client as well.

Our clients tend to be business owners and executives. We also service a lot of professionals, most of who are in the medical profession. This came about because a Bathurst chartered accountant started to refer work to me and it just built from there.

Geographically, almost half are in northern NSW and southeast Queensland. A further 35 per cent are from Sydney or Bathurst/Orange with a further 15 per cent from South Australia and 5 per cent from Victoria.

## **Is the chase for yield a common narrative and what do you advise investors in terms of going up the riskcurve?**

Reliable cash flow has been one of our centrepiece strategies.

Since cash rates have decreased below 1 per cent, investors with much of their portfolios in term deposits have begun to seek our advice on constructing a more balanced portfolio with a keen focus on producing reliable income.

Alternatives include listed fixed interest, listed and unlisted property trusts and infrastructure funds. With a wrap account, your access to such investments would be very limited.

## **What's your view of the local share and property markets?**

Share markets are relatively high at the moment, with price-earnings ratios and other valuations at near record levels.

Commercial and industrial property markets have seen an incredible amount of yield compression in the past five years (which means that capital values are higher but rental returns are lower).

In this climate you need to be selective with a new property investment.

I am fortunate to have access to a number of wholesale property and infrastructure managers with investment propositions not available to most other financial advisers. Allocations are typically offered and gone within 48 hours of being released. These are exclusive deals and our clients have made a substantial profit from these opportunities.

## **What financial products do you like and dislike the most?**

I like investments that offer strong risk-adjusted total returns — income and growth — whether that's fixed interest, private equity, infrastructure, equities or commercial property. I dislike investments that add little or no value over benchmarks and charge large fees — it's easier to use cheaper ETFs (exchange-traded funds). I also don't have any time for managers who do not adhere to their investment strategy.

## **What distinguishes a great adviser from merely a good one?**

I think that many advisers are “tick and flick” and generic in their advice.

We spend a lot of time discussing clients' objectives, their likes and dislikes and their investment risk tolerance.

All of this has come from many years of hard work, commitment and dedication to my clients and staff. Many clients now have become lifelong friends.

## **Tell us a bit about yourself and your interests?**

Deb and I enjoy travel, food, wine, charity work, golf and the community lifestyle.

I reckon I'm the only financial planner to drive to work in a golf buggy, which takes about three minutes.

As an added bonus our office overlooks the marina and when I walk through the marine village daily I bump into many friends and clients.

It's a lovely lifestyle.

