How Value Investing Works | Video Transcript

George Sparks | Barnes Dennig
Justin Whelan | Biechele Royce
Tom Barrett | Biechele Royce

George Sparks:

Well today I'm interviewing Justin Whelan and Tom Barrett of Biechele Royce Financial Advisors. They are the registered investment firm that the Barnes Dennig uses as far as our investments, our portfolio design and stuff like that, and I'm going to just spend some time talking with Justin and Tom about various subjects today. What was the genesis behind Biechele Royce?

Justin Whelan:

Yeah, the genesis was basically wanting to be independent. I had been in the financial services field for about four years at that point and I wanted to do things a little bit different than in the past so I created Biechele Royce to transition to a fee only model. Previous to that, that was back in '94, it was very uncommon to see advisors get paid on a fee basis where you have an open-ended contract and that client can terminate that relationship for any reason at any time. It was really primarily a commission-based transaction where if I got you to buy or sell something then I got paid, and I just felt it was a real conflict. It is a conflict.

Justin Whelan:

And so for me it was more I don't want that, I want someone to hire me for my advice. And I also wanted to as I said be independent and I wanted to be able to go out and find anything that was the need of the client. When you work for larger corporations a lot of times they want to reduce risk by not allowing many options that are really the right thing for a client.

George Sparks:

Yeah, my big takeaway out of that was you wanted your organization to be more relationship basis with your clients, and you did not want to be tied to any particular product. You mentioned working in some private equity type things, some deals that were some alternative type things and that's how you first met. And I know that that's something that we used in our portfolio designs that are unique and different to just standard market opportunities. Can you all walk us through how you go about vetting those opportunities? What causes us not to take something on board and what causes us to say this is something we want in our portfolio that our clients would like. And also talk about maybe the range because some are more conservative and some are more aggressive.

Tom Barrett:

We like to think about it this way, we're building these globally diversified customizable portfolios with different risk spectrums, so in that we've got these different building blocks. Of course we've got our long standing core, which is our U.S. or global equity strategy. And then we have of course our fixed income component for the bonds, the stability, and then this alternative investment sleeve that George is talking about that gets us into the different realms of non-correlated assets.

Tom Barrett:

When we're looking at those there's a whole spectrum of different investments that you can look at from a liquidity spectrum, from very daily liquid all the way to no liquidity until there's an equity exit. So we look at all of those and we have the ability to curate those for the client depending on their specific income need, growth need, liquidity need and so on. When we're vetting those, we're doing our internal vetting of the individual group, we've got a due diligence questionnaire where we go at them in terms of send us all the information on on your firm, your principal's background, your investment strategy, we're digesting all of that and then we're going through a process of looking for an edge. I mean, there are so many different companies doing the same thing. There's so many bridge lending, there's so many venture capitalists, there's so many growth equity managers. We're looking for someone who has an edge in either a particular industry insight or that the team has an incredible track record in a particular area and they've split off and started their own firm. We're looking for those unique edges.

Tom Barrett:

And we're going through and looking for things like audited financials, checking all the boxes oof the main things in terms of operational due diligence and all of that, but really zeroing in on the investment due diligence on what is their strategy? Is it repeatable? Do they have like I said an edge in what they're doing so that we have a good confidence level that the group is able to execute a strategy, be repeatable and give our investors a solid risk adjusted return without the potential for problems down the road.