

Profile

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Myrna Rivera: Consultiva Internacional

The warm weather and inviting beaches of Puerto Rico may hold a tropical allure for visitors, but for money managers handling an account for a client that employs Puerto Rican consulting firm Consultiva Internacional, life is hardly a vacation. "The Enron scandal and the overall credibility crisis in the corporate accounting and investment industry led us to demand greater research capabilities from our managers," said CEO Myrna Rivera. "We have even gone a step further and have expanded our staff to include a due diligence analyst who is constantly checking manager transactions to assure that buying and selling disciplines, as expressed by our managers, are in compliance." In addition to the analyst, Consultiva also has legal counsel that alerts the firm to possible securities fraud in any of its client's holdings. Rivera also said that her firm, like many consulting firms, will not hesitate to put managers on watch for style drift or poor performance.

International Flare

Rivera said that although her firm can offer clients an international perspective, managers based in Puerto Rico should expect no special attention. "We track Puerto Rican firms with the same rigor as we do non-Puerto Rican firms," she said. "As with any investment manager, we recommend them vigorously when we believe that their particular skill set is key to the client's objectives and mandates."

When asked if she finds it difficult to work with overseas clients, Rivera said, "We don't find the geography to be an issue, although it might have been before the age of the internet and videoconferencing. On the contrary, it has been extraordinary to be based in San Juan, as it has allowed us to exercise the practice in the most experienced, sophisticated, bi-cultural financial services market in the U.S." She added that the firm, which is regulated by the same rules and regulations as any other firm in the U.S., has seen increased interest from funds seeking to conduct business with multi-cultural firms. Currently, 80% of Consultiva's clients are located in Puerto Rico, with the remainder in the U.S. as well as around the globe, said Rivera.

On Hedge Fund Investing

Many plan sponsors and consultants prefer to hire fund-of-funds managers for the diversification benefits, and Rivera's firm is no different. "We do favor a fund-of-funds stance because of its benefits," she said. "The main reasons being diversification and the active management a portfolio receives by experienced professionals." She added that one of the most

important benefits of fund-of-funds investing is the implementation of various investments and investment styles.

On Asset Allocation

The key to any asset allocation process is the development of realistic return assumptions for each asset class or investment style employed, said Rivera. Many pension funds throughout the U.S. routinely revisit their asset allocation at each board meeting to ensure that the fund is invested properly. "It has frequently been asserted that the asset allocation decision is the most important decision in the investment process," she said. "It is crucial that the assumptions used to generate asset allocation decisions be reflective of current and expected market conditions and, most importantly, of investors' investment goals and risk tolerances."

Change Is For The Worse?

Mergers and acquisitions are a normal part of the evolving business world, but for consultants and plan sponsors, change has always raised a red flag. "The merger between managers and firms, as we see it, is part of their natural business cycle," said Rivera. "It is the means through which they can expand market share and enhance product accessibility. Nevertheless, new structures and pressures to increase profitability have the potential to change investment processes, their execution and employee incentives and tenure." She added that part of the problem that money managers encounter is the physical separation of research analysts and portfolio managers. "Merged managers sometimes centralize analysts to serve all divisions. This is a double-edged sword," she said. "While there may be some improvement in the concentration and quality of research, it can also lead to diminished interaction between the analysts and the portfolio managers."

Staying Off Watch

Style drift and key personnel turnover can land a firm on Consultiva's watch list. "We do place a manager on watch if enough style drift occurs," said Rivera, adding that managers usually are placed on watch for two quarters before a decision on their fate is made. But what about the times when style drift leads to outperformance? "Managers are informed of their role as part of the team in our client's portfolio for a specific investment style," she said. "Hence, style drifts are taboo for money managers."

Down Time

Rivera lives in San Juan with her husband. She received her undergraduate degree in mathematics from the University of Puerto Rico and a graduate

degree in from the City University of New York.

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