



## CASE STUDY

### Extraordinary Service for Extraordinary Clients

*Real-life event. Client name has been changed.*

#### **The background.**

Clara and her family have been long-time clients of Naples Global Advisors (NGA). Our initial wealth management plan optimized their two primary assets: 1) a portfolio of liquid investments and 2) a shopping center located in Central Florida. The portfolio was designed to grow and compound, while the real estate provided a strong, predictable cash flow that funded living expenses.

For nearly a decade, the plan worked extremely well. But when the 2020 pandemic hit, everything changed.

Almost overnight, businesses were thrust into economic crisis. The retail industry was among the hardest hit. The shopping center that was planned to provide the foundational income for the family's ongoing living expenses was now facing a crisis of its own.

As retailers closed, several tenants broke their lease, impacting the once-predictable cash flow. There was hope on the horizon, however, when the anchor tenant expressed interest in signing a new 20-year lease. But there were strings attached. Clara would have to agree to renovate and upgrade the building, a significant demand that would require a major investment of time, effort, and liquidity.

To thoroughly evaluate the deal and make the best decision for the family's long-term financial goals, Clara turned to NGA as a sounding board.

"Although this was outside the scope of the assets that we managed, we often look at all of our client's financial interests and provide counsel," said NGA's Principal and Portfolio Manager, Isaac Codrey, CFA. "In this case, real estate assets were substantial, and we were committed to helping them find the best ways to simultaneously minimize their risks and maximize their returns."



### Trusted Sounding Board

*Going the extra mile  
on our clients' behalf.*

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**As investment managers, our clients expect us to focus on managing their money. They may not expect those phone calls and emails that tell them, ‘You’re going to be okay... you’re going to make it through this.’ We helped our clients get the deal done in the most cost-effective means possible. But it’s the level of support during that very stressful time that probably meant even more to them.”**

*Isaac Codrey, CFA  
Principal and Portfolio Manager*

### **Going the extra mile.**

After careful consideration and months of deliberations, the decision was made to accept the lease terms and move forward. It would be a great opportunity to both lock in a long-term tenant and make needed improvements that would enhance the value of the entire shopping center.

A construction loan would be required to fund the project, and Clara relied on NGA to help evaluate the terms. One of the conditions was that a sizeable standby deposit was needed to lock in the financing, for what was estimated to be a 30-60 day period.

Side-by-side, Clara and NGA contemplated the available sources of capital, balancing current risks and liquidity pressures against future cash flows. With NGA's counsel, it was agreed that the best path forward was to open a margin loan, leveraging the financial assets in their investment account.

NGA vigorously negotiated with the custodian to secure the lowest possible margin interest rate and was able to substantially reduce the borrowing rate from standard market rates. The overall financial impact of the reduction was not meaningful at the time, but the effort to secure the favorable rate would prove to be fortuitous later.

Meanwhile, the effects of the pandemic continued to linger. The construction industry faced supply and labor shortages. The planned renovations were continually pushed back.

Finally, after one year of delays, construction on the shopping center began. But due to skyrocketing prices for material and labor, costs were going to exceed initial projections by \$2 million. Once again, Clara and NGA concluded that utilizing the margin line on the investment account to bridge this sizable funding gap remained in their best interest.

Ultimately the construction was completed but not without times of severe angst and uncertainty for

Clara and her family. Through it all, NGA remained by their side, providing financial counsel, reassurance, and support.

Rewinding back to the initial interest rate negotiation that seemed inconsequential at the time, this effort became pivotal and saved the client over \$50,000 in interest costs over the extended duration of the large unforeseen financing need. Additionally, the decision to leverage margin rather than sell off their securities avoided projected capital gains taxes of over \$200,000.

“As investment managers, our clients expect us to focus on managing their money,” shares NGA's Codrey. “They may not expect phone calls and emails that tell them, ‘You're going to be okay... you're going to make it through this,’ especially when those touch points relate to assets outside NGA management. In the end, that's what holistic advice means. We helped our clients get the deal done in the most cost-effective means possible. But it's the level of support during that very stressful time that probably meant even more to them. We helped them protect their family legacy, and they have come out of this with a beautiful asset that their family will benefit from for decades to come. Now they can once again enjoy the life they have been planning for.”

### **About Naples Global Advisors**

Founded in 2011, Naples Global Advisors is an SEC Registered Investment Advisor serving individuals, families, trusts, retirement plans, and charitable foundations and endowments. As an employee-owned LLC, we operate as a fiduciary and manage clients' portfolios with transparency and accountability. Whether you have an established portfolio or are investing as a result of a life event, our team is consistently seeking ways to put the odds of investment success in our clients' favor.

