INVESTING

How Investment Supermodels Changed My Life, Sort Of

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Like many of us, I used to think that a legion of wise men and women, investment experts all, were spending their days scrutinizing my portfolio. And occasionally I'd receive an invitation to lunch from my advisors, who would hand me a report. "You see," they'd say, directing my attention to Page 7, "we're ahead of the market." What about my bonds? "Look at Page 13," they advised. "Our fixed-income strategy is right on target."

2008: A Rude Awakening

What I looked at most in those reports, though, was my total account value. If it was bigger than it had been the year before, I was content. I eventually became aware that there were tailored digital approaches out there. But I liked the attention I got at those lunches.

Then came 2008. Some of my investments came through OK, but not many. Plus, my advisors had allowed my asset classes to drift in the years leading up to the crisis: My large-cap value was looking a lot like large-cap growth; my small-cap had morphed into mid- and large-cap. In short, I owned a portfolio suspiciously like an S&P index fund, and I was paying a handsome fee for the privilege. Was that what I wanted?

Enter the Supermodels

I was no stranger to the robo concept. I'm online every day. I read. I understand that rules-based systems can steer the investment ship. But I had resisted. At last, I completed some narrative-style questions about my assets, time frame, risk attitude, and my investment knowledge (underdeveloped)—and there it was: my own portfolio pie chart, sliced the way I liked it.

I'll confess that I wondered if this was really unique advice, but I accepted the fact that there were others out there with profiles similar to mine. More important, I liked that the supermodels aren't emotional: They know what's important to consider about me; they adjust to changing market conditions; and they just do their thing. And if for some reason my circumstances change—say my rich uncle, sadly, passes on—I can update the inputs into my robo-advice program.

In short, I was in the embrace of the models and I was happy—but neither did I give up on active management.

Robo Isn't a Panacea

Despite the virtues of robo investing, an active manager can often deliver results that even a finely-tuned model can't replicate. Hands-on knowledge about individual securities can be key, especially in certain asset classes. Small-cap stocks, for example, get less analyst coverage than their large-cap counterparts, which opens up opportunities for active managers. More generally, active managers may be quicker to make tactical shifts.

I had a bias toward the hand-held advisor, I liked the attention. **Then I met the supermodels. They knew what factors were important.** They were not emotional, adjusting as the market moved.

We're not dogmatic about one or the other. We offer solutions that matter, solutions that help our clients get to where they want to go. As investors, we are comfortable with a rules-based system that identifies key factors and variables proven over time to drive outcomes. We also believe that human judgment, experience, and perspective can identify opportunities that arise out of inefficiencies in the market.

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