

# TAKING STOCK: A MULTI-ASSET STRATEGY THAT'S THE RIGHT FIT FOR YOU



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Building an investment portfolio is a lot like planning your wardrobe. After all, both rely heavily on function and individual style. And no one size fits all.

Just like finding clothes with the right fit, investments need to be tailored to meet the unique goals and risk tolerances of the investor. At NEPC, we have developed a framework to help identify and select multi-asset options based on the function that the strategy needs to fulfil and the distinctive style of the investor. We believe multi-asset strategies offer a wide array of approaches to meet different investment objectives and satisfy varying levels of restraints and comfort.

And, like having an appropriate outfit for different occasions or seasons—shorts for a warm summer day at the baseball game or a business suit for that board meeting—investors will have different needs or goals for their multi-asset strategies, making it necessary to pick the right options for the right function. We view multi-asset strategies as offering two functional objectives: beta efficiency (tactical exposure to asset classes in a single package) and portfolio diversification (the combination of absolute return and low correlation to traditional asset classes to improve overall risk-adjusted returns). We believe this approach will improve and simplify the decision-making process and help investors pick asset classes and multi-asset strategies that best satisfy their intended purpose.

While function and purpose are core to

decision-making, style is also critical – for clothes and investment portfolios! Take the red-carpet at an award ceremony as an example. Despite a common function—attendance at a glitzy event—different outfits will be worn based on each person's individual sense of style and level of comfort. That would explain why you will see a tulle and lace gown sashaying down the carpet the same time as a dress made of meat!

When it comes to multi-asset strategies, some clients may be more comfortable investing in strategies with complex trades in opaque and/or relatively illiquid segments, while others may prefer approaches with trades in more common and familiar markets. Multi-asset strategies can span the spectrum of complexity, so there is an appropriate choice to match the unique style of each client.

The same holds for investment portfolios in general. Investors have individual risk constraints and tolerances when it comes to portfolio management and oversight. For instance, one may have an overweight position in emerging market equities to capitalize on cheap valuations, while another may avoid them because of their higher volatility. Meanwhile, an investor in need of cash flow will choose a higher allocation to fixed-income assets in the portfolio, while another with a focus on long-term growth will award a higher weighting to equities. After all, it is important to have the appropriate outfit for different occasions, and what works for a beach getaway will fall short in that upcoming job interview.

While we may not be of much help when it comes to giving you style advice for your wardrobe, your NEPC consultant can guide you to find a multi-asset strategy that's the optimal investment fit for your portfolio.

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