YES

You Can Have Your Cake

And Eat It Too!

At some point most investors wish they could simultaenously increase their returns and decrease their risk, which is a tradtional “cannot be done over the long-term“ adage in financial books. For the most part this is true, but for those who clearly understand the two major obstacles to investment success, *high fees* and *subjectivity,* there are opportunities.

As the table below shows, with all else equal low cost managers will outperform their hugh-costs peers in both up and down markets. This naturally results in a “higher-return” and “lower-risk” advantage for the low-cost manager.

POSITIVE RETURN MARKET	LOW-COST MANAGER	HIGH-COST MANAGER
Beg Value Owner $	100.00	100.00
Gross Market Return %	12.00	12.00
Aggregate Portfolio Fees %	-1.00	-2.00
End Value Owner $	**111.00**	110.00

NEGATIVE RETURN MARKET	LOW-COST MANAGER	HIGH-COST MANAGER
Beg Value Owner $	100.00	100.00
Gross Market Return %	-12.00	-12.00
Aggregate Portfolio Fees %	-1.00	-2.00
End Value Owner $	**87.00**	86.00

Unfortunately, when making hiring decisions many investors rely more on personal relationships, recent events, and massive and too-often misleading advertisng rather than solid facts that are 100% realiable going forward. Moroever, they are generally not keenly aware that the industry is self-regulated, and many dubios charges are inbedded in dislosure forms that can be difficult to analyze.

In this era of lower expected global annual returns (4.2% annually over the next ten years with a 50% stock/50% bond allocation) successful investors must be aware of all portfolio management fees. For a confidential, complimentary portfolio expense analysis please contact **james.byrd@quantmanagement.com** or 1-608-273-2900.