

YES

You Can Have Your Cake And Eat It Too!

At some point most investors wish they could simultaneously increase their returns and decrease their risk, which is a traditional “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 high-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 advertising rather than solid facts that are 100% reliable going forward. Moreover, they are generally not keenly aware that the industry is self-regulated, and many dubious charges are inbedded in disclosure forms that can be difficult to analyze.

In this era of lower expected global returns (3.4% 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.

Managing Your Portfolio Is Our Only BusinessSM