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Celebrating our Twentieth Anniversary of Serving You & Your Clients!

How “Tactical” is your Practice?

2012 Survey of Investment Advisors

- Perspectives from the field on constructing client portfolios today -

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At CMG, serving our clients and exceeding their expectations is our #1 objective.

Have those client expectations changed?

In a survey conducted at the recent annual Financial Planning Association Experience Conference in San Antonio, advisors shared their current thoughts on building client portfolios today. It appears expectations have indeed changed. The FPA is the largest membership organization for personal financial planning in the US and includes professionals from all backgrounds and business models.

Whether it's saving for retirement, funding a child's education, or just saving for a rainy day, investors are increasingly looking for the smoothest ride to reaching their goals. These investors are turning to portfolio solutions that were previously available only to institutions and high net worth investors. Today's fast-paced global economy – and periods of volatility like 2008 – remind us that knowledge-based investing requires more than a traditional buy & hold model for success. This survey confirms what we have experienced in our firm – that incorporating tactical strategies into portfolios will create balance by helping reduce risk and enhance return for long term success. This is the cornerstone of a progressive diversification strategy. We will continue to help investors successfully navigate the challenges of the new investment world by utilizing liquid, transparent and cost effective tools like ETFs and mutual funds.

Here at CMG, we will never forget, we are in this together. Our role is as a valued, trusted resource – a knowledge bank of resources that use their expertise to find the right managers and uncommon solutions for our clients. Moving forward, we believe the most important decision you ever make will be the investment partner you choose.

Michael F. Sciortino, Sr.
Managing Director
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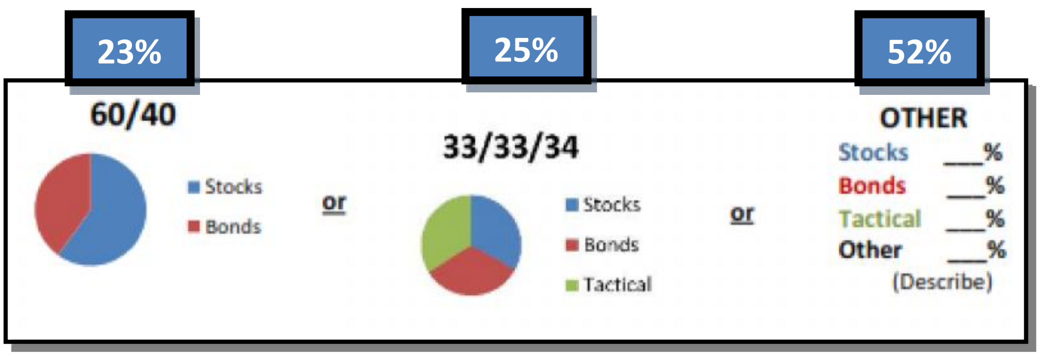
Survey Findings

Today, more than ever, investors are incorporating tactical strategies into their portfolios to create stronger, more resilient portfolios to counterbalance risk and enhance modern portfolio construction. The shift has occurred from the traditional 60/40 model to a more dynamic model which includes tactical allocations.

Just how much have investor's portfolios changed? Advisors indicated that their typical client portfolio is constructed as follows:



Tactical asset allocation gives managers the opportunity to create value by taking advantage of certain market conditions. This ability to change the percentage of capital allocated to stocks, bonds and tactical investments works particularly well in volatile markets. By taking action as required, the objective is to preserve assets in times of uncertainty.

The one roadblock advisors encounter when discussing tactical investments with their clients is basic familiarity. 70% of advisors believe that lack of understanding of tactical solutions is still a barrier for their clients. Industry trends point toward increased education in this area to clarify the utilization of tactical strategies.

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With the explosion of investment products – and all the noise that surrounds them – finding right fit portfolio solutions is a major challenge. However, 83% of advisors surveyed said they are currently using tactical strategies in their client portfolios in order to provide investors with a smoother, steadier ride.

In the past 100 years, the stock market has experienced numerous long-term bull and bear markets – with the average secular bull market lasting 10 years and the average secular bear market lasting 17 years.

96% of advisors surveyed believe non correlation in a portfolio is important.

Today, as part of progressive diversification strategy, more attention is being placed on the importance of low or non correlation. Lower correlation between investment instruments is a key characteristic of tactical strategies and their ability to consistently perform as viable risk diversifiers. The survey confirmed that demand for tactical investments has increased dramatically.

Many tactical strategies, once utilized only by institutions and high net worth investors, are now being used by typical advisor clients. In fact, not surprisingly, an advisor with less than $50M under management was just as likely to utilize tactical investments as advisors with $250M & above under management.

Applying tactical strategies has shown the ability to lower correlation in portfolios over time.

Currently, 87% of advisors believe that a portfolio using both tactical and strategic allocations offers more value than a portfolio that doesn't invest in both. As complex as the investment world has become, advisors need more than just products; they need the logic behind them, the distinctions between then and the confidence to recommend them.

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Moving forward, 84% of advisors surveyed said they are likely to recommend tactical strategies to their clients in 2013. Just how broad-based is the move to including tactical investments in portfolios? Well, 32% of advisors indicated that 10-20% of their assets under management were in tactical investments while another 16% responded that 20-30% of their assets under management were in tactical investments.

When advisors were asked what investment they prefer when allocating to tactical strategies, 60% said they use outside managers.

In the end, 79% of advisors indicated that overall, they were happy with their tactical allocation. This survey shows that the advisor community is overwhelmingly embracing tactical strategies to provide investors with a smoother, steadier investment experience.

For a copy of the survey findings or more information on CMG, please contact Elissa Magnavita at 1.800.891.9092 ext. 144 or at elissa@cmgwealth.com.

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