A FAMILY BUSINESS SERVING FAMILIES

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Last week's "Behind the Markets" podcast guest was Phil Huber (@bpsandpieces), CIO of Huber Financial Advisors, a financial planning firm based in Chicago. Huber was the eighth employee when he joined the business in 2008, and the firm had about $300 million of client assets under management. Today, the firm has 25 employees and approximately $1.5 billion under management.

Huber Financial Advisors takes pride in being a family business serving families. That culture and mindset guide the firm's approach to servicing clients.

We spoke about Huber's journey from observer of finance Twitter and the popular blogs by Josh Brown (@ReformedBroker) and Ben Carlson (@awealthofcos) to how he eventually joined the "fintwit"—financial Twitter—conversation. He set out by creating a blog, and his first post was a compilation of insight from people he respected. He asked them who was on their Mount Rushmore of investors, and their network of readers helped his blog make a splash.

Huber described how surgery for a detached retina and the three-week recovery period was the catalyst for him to join Twitter and the time when, because of boredom and pain management, he first really became addicted to it. They do say Twitter is like a drug, so please tweet responsibly.

Is Twitter for Clients or Professional Development?

Huber is active on Twitter. I asked whether he believes this helps to attract clients or whether it's really just to become smarter and better at his day job. Huber interacts with few of his actual clients on Twitter. Rather, he sees the platform as a way to expand his network and engage in great conversations that push him to be a better financial advisor and investor.

14 Principles That Guide the Thinking of Huber Financial Advisors

Of the 14 principles that his firm follows, Huber's favorite one is a phrase: "Shades of gray." Many people view the world as being black and white—active versus passive investing—and Huber keeps a healthy balance and blends elements in a middle shades-of-gray zone.

On the bond side of the firm's portfolio, Huber embraces predominantly active managers, while on equities he employs a combination of solutions with factor-oriented strategies like what WisdomTree, Dimensional Fund Advisors and iShares offer.

Alternatives: A Challenge

We spoke about how Huber likes to use alternatives for their diversifying characteristics, and how they are uncorrelated with stocks and bonds—but that doesn't mean they will always go up. Huber's goal is for his clients to sleep well at night, even if portfolios are suboptimized.

60/40 Global Equities

Huber does not think there is a right answer for how much of a portfolio should be foreign equities, and while the global market cap is close to approximately 55/45 U.S./foreign, Huber tends to be more global than many advisors.

Looking at Emerging Markets

From an expectation perspective, Huber looks favorably on emerging markets today, and while he cannot predict that 2019 will be the year that the over-weights or newly established positions will pay off, he thinks the relatively low valuatio ns warrant new allocations.

Why Active in Fixed Income?

Huber finds active managers have outperformed more with core bond managers than with core equity managers. Huber ascribes this to lower-fee differences between active and passive bond managers, but he also quoted a paper from PIMCO that examined a greater presence of noneconomic participants in the bond market, on which active managers capitalize.

Embracing Alternatives

Huber's firm embraces alternatives in their portfolios—the average client has as much as 20% in alternatives—for their diversifying characteristics and low correlations with traditional stocks and bonds. While only 20% of portfolios, this category generates 80% of questions, particularly around expenses. One year is not going to change Huber's take on these strategies as he believes risk-premiums are bound to have bad years.

As he points out, risk premiums generate returns due to their *risk*.

Huber talked favorably about trend-following and managed-futures strategies, risk-premiums-style investing and re-insurance. The most important element of including alternatives is how much education Huber feels advisors must do when including these strategies.

Please listen to our full conversation with Huber below.

For standardized performance and the most recent month-end performance click here NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our Economic & Market Outlook

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DEFINITIONS

Active : Funds that attempt to outperform the market by selecting securities a portfolio manager believe to be the best.

Passive : Indexes that take a rules-based approach with regular rebalancing schedules that are not changed due to market conditions.

Factor : Attributes that based on its fundamentals or share price behavior, are associated with higher return.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Risk premium : Equity investments are not risk free, but it is thought that investors buy stocks because the returns they expect are high enough to allow them to take the risk.