BUILDING PORTFOLIOS WITH HORIZON INVESTMENTS

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On Behind the Markets*, a podcast brought to you by Jeremy Schwartz, WisdomTree's Global Head of Research, we talk to market strategists, business executives and financial advisors about important trends underpinning the financial markets.*

In this episode, Jeremy talks to Mike Dickson, Head of Portfolio Management at Horizon Investments.

Listeners will hear about:

- Horizon's goals-based asset management framework and how they help empower advisors to create more customized investment strategies for what clients are trying to achieve.
    - As investor goals change, so, too, should their risk levels
- Horizon has three types of goals-based focuses:
    - **Gain strategies**: trying to grow wealth
    - **Protect strategies**: seeking to accumulate wealth while focusing on protecting against major losses
    - **Spend strategies**: for investors in or near retirement, the objective is to minimize the risk of running out of money while taking distributions from a portfolio
- Most of Horizon's clients are in the ***Protect*** phase but transitioning increasingly to the ***Spend*** phase.
- Historically, investors would answer a risk questionnaire, and a conservative allocation would suggest a heavier allocation to bonds. But in today's environment, if an investor has certain spending requirements, they are more likely to fail to achieve their objectives with that same bond allocation, given today's historically low yields.
- **80/20 is the new 60/40**: In short, Horizon's baseline recommendation for a traditional 60/40 equity/bond client goes as high as 80/20 equity/bonds, given different goals-based objectives.
    - Taking this higher equity risk, Horizon's team takes a more tactical approach within the equity bucket to help manage the higher risk level of this higher equity allocation.
    - Some of the strategies their team employs can utilize factor rotation strategies but also option strategies. Momentum, low volatility and higher quality assets are strategic over-weights in their process, given the equity-heavy nature of the strategies.
- In the ***Protect*** strategies of Horizon's portfolios, they closely monitor drawdowns in portfolios, and that allows them to have more equity exposure on average. Once drawdowns start occurring, they lower exposure to equities, seeking to mitigate these losses.
- Horizon's ***Spend*** strategies target a specific retirement distribution target and are optimized to meet specific client objectives.
    - Given the nature of income-producing options today, the higher the requirement for income distributions, the higher the equity allocation Horizon is going to recommend. Spending requirements are often needed over periods 20 years and longer.
    - These higher equity allocations come with the greater risk of loss, so there are strategies Horizon employs in an effort to counterbalance those risks.
    - If you have a 60-year-old married couple, the actuarial tables suggest there is a 50% chance you need to plan for a 30-year horizon of spending requirements. Using that time horizon, and getting distributions to keep up with inflation, you will likely need growth, which is why equities are important.

You can listen to our full conversation with Mike Dickson 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.

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DEFINITIONS

Yield : The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

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

Momentum : Characterized by assets with recent price increase trends over time. This term is also associated with the Momentum Factor which associates these stock characteristics with excess return vs the market over time.

Low Volatility : Characterized by lower standard deviation of price over time. This term is also associated with the Low Volatility Factor, which associates lower volatility stocks with better risk-adjusted returns vs the market over time.

Quality : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over tim.