
PROFILING THE LATEST FINTECH PORTFOLIO DIAGNOSTICS

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01/30/2018

On last week's podcast, my co-host, Wesley Gray of Alpha Architect, and I had the pleasure of interviewing Kendrick Wakeman, CEO of FinMason, and David Yates, Chief Information Officer at WisdomTree, for a discussion on how the two firms are collaborating to develop tools for portfolio diagnostics by leveraging each of their strengths and unique backgrounds.

Wakeman has 30 years of experience in being a “quantamental” portfolio manager who incorporates fundamentals in a quantitative way—from his days at Lazard Asset Management in a hedge fund unit to Wachovia Securities to one of largest independent research boutiques. Wakeman started FinMason because he felt the systems he was trying to build at the major firms never came to fruition in part due to legacy technology platforms and roadblocks with many outdated tech stacks.

Wakeman described FinMason as being the “Intel Inside” for analytics—he wants to provide investors with any analytics desired, very flexibly, very quickly and at a very low cost. FinMason does not provide any front-end website or application building of this data—just the raw computation power and analytics that other firms can leverage. Wakeman described why firms want to build the front-end user experience themselves but not the raw computations that feed those applications.

Stress-Testing Portfolios

With the market at all-time highs, Wakeman believes perhaps the most important portfolio diagnostic FinMason provides to financial advisors is stress tests of portfolios during previous market crisis scenarios. Wakeman believes all investors should know how their current portfolio could have performed during a crash like the 2008 financial crisis. Wakeman believes advisors who give this type of information to clients can better manage the emotions of those clients when eventual downturns occur, and this also will help put clients into the appropriate portfolios to match their risk tolerances. Wakeman did a survey and found only 25% of investors were given such information, and among that group 60% were underestimating what potential losses could be.

Building a Front-End Diagnostic Tool

David Yates shared his background ahead of joining WisdomTree as Head of Technology. Yates started his career at the Bank of England (BoE), the central bank for the U.K., where he built technology for economists. His first major project was a visualizer of models depicting inflation expectations and interest rate expectations in the market. This [yield curve](#) visualizer was used in [monetary policy](#) meetings to help the BoE set interest rate policy. From the BoE, Yates went to India to lead a team building trading technologies for the London Stock Exchange. Then he came to the U.S. to attend the Massachusetts Institute of Technology, where he earned his MBA; from there, he joined McKinsey doing technology consulting, primarily for insurance companies and asset managers.

Yates recently partnered with FinMason to build a digital portfolio developer (DPD) for financial professionals that can

help them look at their portfolios and get suggestions for different optimizations—regarding performance, fees, income or risk. The engines that FinMason helped Yates and his front-end application developers build can produce a series of robust analytics in milliseconds. For more on DPD, click [here](#).

Our conversation with Yates and Wakeman also included discussions of:

- The upgrade cycle of technology that Wakeman expects to be underway over the next 24 months, moving toward an integrated, all-encompassing way of managing an advisory business
- Some competitive threats to asset managers from tech firms such as Google and Amazon
- Where to look for international data in analytics
- The tools Alpha Architect provides for understanding how it is also trying to simplify factor exposure across funds in an easy-to-visualize way

A special thanks goes to Yates and Wakeman for coming to our studio for the conversation—to listen to the full podcast, you can go [here](#).

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 curve : Graphical Depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.

Monetary policy : Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.