

From Confusion to Fusion

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There is hot fusion, there is cold fusion, and then there is confusion. That's what happened late last year when the stellar investment results by Yale and Harvard went south along with everyone else's. This wasn't expected. The broad asset allocation by their managers was supposed to protect against loss in a down market.

Matthew Tuttle addresses this conundrum in his book entitled, "Ivy League Lessons: How Harvard and Yale Beat the Market," (Wiley, 2009). The author, a certified financial planner, is head of Tuttle Wealth Management, LLC.

The author and financial manager is not ready to throw out the baby with the bathwater. This is because the endowments did not lose as much as the general market in the same time frame. Their loss was 25% in the last half of 2008 compared to 30% for the S&P. Additionally, the backbone of their approach, negative correlation, continue to be sound. Simply put, the concept asserts that when markets go up and down having multiple assets that don't move together will perform better. Craig L. Israelsen demonstrated this retrospectively in his 2007 article entitled [Scientific Approach to Nest Egg Protection](#).

Tuttle recommends a mix of eight or nine assets in one portfolio, a reflection of how Yale and Harvard invest. These include stocks and bonds plus real assets which consist of real estate, etc. and private equity funds. The latter take companies private and rework them to hopefully sell them at a higher price later. He also adds "absolute returns" to the blend. These are money managers who can profit in any market.

This approach, of course, would seem to be optimal for the average small investor as well as academic institutions, though difficult for the little guy to achieve. This is because he is rarely able to easily trade in anything more than stocks, bonds, real estate trusts, and commodities.

Happily, there are ways other than the incredibly sophisticated methods of the Ivy Leagues to create this combination. Index and exchange traded funds can mimic their game. Please see [The 15% Solution: A Critical Investing Concept](#). Add a market neutral fund like Hussman Strategic Growth (HSGFX) and confusion can be transformed into fusion, even for the small investor. In order to fully appreciate this potential magic, it is necessary to read the links since the 'how to' is in that text rather than repeated here.