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# Investment Writing Update

*Writing that's an investment in your success*

**January 2008**

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Expect negative alpha to continue, says Numeric's Wheeler

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The Alpha Bubble isn't over yet, said Langdon Wheeler, CFA, in his Jan. 16 presentation to the Boston Security Analysts Society on "Alpha Bubble: We Have Met the Enemy and He is Us." A bubble-like rise in valuations had been fueled by the investment industry's shift to the pursuit of alpha from the pursuit of beta, following 2000's dramatic decline in mega-cap and Internet stocks. Quantitative investors, hedge funds, and their clients are among those feeling the pain of the Alpha Bubble's collapse, which began last year.

"We are in an Alpha Bubble that could provide negative alpha for several more years," said Wheeler, chairman and self-styled "chief curmudgeon" of [Numeric Investors, LLC](#), a quantitative investment firm. Drivers of this phenomenon include:

Too many assets in crowded trades

Rapid growth in hedge funds

The unwinding of positions as the community of quantitative investors shrinks

A more alpha-friendly environment will return. One indicator will be a significant widening of spreads between riskier and safer assets. Spreads tend to go from tight to wide, rather than lingering in the middle, said Wheeler. They're currently toward the low side of average.

It's not clear what else will herald the return of alpha. In the meantime, the retreat of so-called "hot money" may offer opportunities to invest in strategies that had previously closed to new assets.

### **Save time with monitor strip calendar for your PC**

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A miniature calendar taped to your computer monitor can save time. You can download the [Monitor Strip Calendars](#) in two sizes and layouts (vertical vs. horizontal). I learned about this from [LifeHacker.com](#)

I use mine all the time, especially when I'm deciding on reasonable delivery dates for client projects.

Website for professional networking events in greater Boston

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You can find professional networking events in greater Boston using [Mark's Guide](#).

View all of the guide's upcoming events or narrow your scope to [Finance](#) or other sectors.

### **"Maybe Smart Money isn't So Smart"**

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"Maybe Smart Money isn't So Smart," says a presentation on the [QWAFEW website](#).

One of the conclusions: "Collectively, plan sponsors are losing billions of dollars a year through their manager allocation decisions!" because they fire managers at the wrong time.

As an investment commentary writer, I endorse the authors' suggestion that when performance weakens, it's important for managers to communicate more intensively with clients. The authors, who appear to be affiliated with Boston University, tell managers to explain:

Why performance is weak

How portfolio characteristics and performance are consistent with process

That performance tends to reverse, with good performance followed by poor and really good followed by poorer

Hedge funds in high net worth portfolios

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There's more than one way to invest responsibly in hedge funds. That's a lesson from RINET Company, LLC and The Colony Group, LLC, two Boston-based wealth management firms. RINET typically puts its clients in hedge funds of funds. Although it sometimes relies on its own due diligence, The Colony Group prefers direct investment in hedge funds in which its wholly owned subsidiary, Colony Funds, LLC, serves as general partner. Yet RINET's and Colony's approaches to due diligence overlap. Both delve deep into the quantitative and qualitative details. Without extensive due diligence, clients could lose everything to fraud, deviation from strategy, or reckless investing.

Read more about these two firms' strategies for hedge fund investing in [my article published in Advisor Perspectives](#).

Writing lessons from New York Times economic article

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If you want your clients and prospects to actually read your investment commentary, you can learn some lessons from my analysis of "No Quick Fix to Downturn: Some Fear Stimulus Is Already Too Late," an article on the front page of *The New York Times* (January 13).

[Get five tips](#), starting with "Create a headline that blares your main message."

### **Financial topics I've enjoyed during 2007**

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Some of the topics with which I've helped clients as a writer or editor during 2007 include:

- 401(k) fees
- Alternative minimum tax
- Asset allocation
- Emerging market investing
- Family foundations
- Football coaches' financial needs
- Financial sector
- Hedge funds
- International bonds
- Investment newsletters
- Large cap growth stocks

Mutual fund fees
Mutual fund selection

If you missed my how-to presentations in 2007

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You can catch my presentation on "How to write investment commentary that people will read" on:

March 5 in Victoria, British Columbia (Canada)

April 8 in Naples, Florida

April 24 in Edmonton, Alberta (Canada)

Thank you to the CFA Institute for setting up these speaking opportunities!

**Quick Links...**

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[Susan Weiner Investment Writing Website](#) [Investment blog by](#)

[Susan](#) [Marketing and communications blog by Susan](#)

Contact Information

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