

## Monthly Update

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### *Should You Consider a Robo-Advisor?*

Junius V. Beaver, III  
*Co-Chief Investment Officer, Principal*

This month we want to take a look at Robo-Advisors. So much has been talked about a new shift toward computer driven portfolios, their diversification, etc. What are Robo-Advisors? Who should use them? Will they change how investing is driven? In short, for younger investors with limited resources, Robo-Advisors could make some sense. Is it that simple? A resounding NO! Dehumanizing the experience is similar to you trying to interpret a text coming from your teenager! We think it says one thing and we later come to find out they meant something entirely different.

Robo-Advisors are computer programs that allow individuals the opportunity to diversify their portfolios at a very low cost and in some cases, very tax efficient ways. For portfolios that are \$15,000 or less, they can often get it done for free. They generate reports that show how to minimize taxes, give recommendations on what funds to use, etc. We would recommend these platforms for individuals that are just getting started and have little to no experience investing. When you are single, on your own and working in your first or second job, Robo-Advisors could be very useful. You can manage your investment costs, stay diversified and over time let compounding be your friend!

Things in life typically change from here. You decide to get married, have children and continue down your career path toward your peak earning years. You start to think about life insurance, college savings, retirement vehicles, estate planning, etc. What type, how much and why? Things become far more complex in your family unit. Another thing begins to happen as we get older. Our parents or grandparents who raised us start to get ill or sadly begin passing away. You have saved your whole life, so have your parents (grandparents) and you have to start dealing with those highly complex issues. All of a sudden the health care system (which is not easy to understand) is thrown in your face or a trust document is dropped in your lap. Trust me, I am now 48 years old and have lost both parents. One to cancer and the other to Parkinson's disease. It's terrible and the responsibility for you and your siblings goes up significantly and you're not mentally prepared for it.

This is what separates a computer from a human. A computer doesn't have feelings and it certainly can't understand the family dynamics that we all live within. It is impossible for us to put data into a standardized piece of software and expect it to incorporate all the variables that we have to deal with on an ongoing basis. Our lives are ever evolving and so must our financial plans. Robo-Advisors are just one component of your financial lives.

At Lanier, we work with all our clients' families holistically. Let me repeat that. We work with all our clients' families holistically. That just doesn't mean the immediate family but their entire family. We want our



clients to feel comfortable that, whatever life throws at them, we can and will be there for them. For example, when should they buy insurance and what type? What are their longer-term goals and are they on a path to reach them? What can they do to improve their odds? As they get older, when should they start to adjust their risk tolerance and why? How are they going to pay for their children's education?

Can a Robo-Advisor help with such intricate and comprehensive family situations? No, it can't. At Lanier, we structure portfolios to optimize risk adjusted returns as we have discussed over the years. That is only part of it! True financial planning is just as important, if not more. We want to know as much as we can about the families that we work with. We help people with estate planning, tax planning, gifting, etc. That is the reason our team has many different players with many different skill sets. We have in-house CPA's, an estate planning attorney, a guy with a Harvard MBA (I had to say it, right!) and several other educated professionals. Our stated goal to our clients is "Building Confidence and Security in Your Financial Future." I believe computers are a wonderful thing, but as I sit here today, the human experience and trust in the people you work with can make a world of difference.

In summary, if you're reading this and you are in your mid-20's, Robo-Advisors could very well be the answer for you right now. If, on the other hand, you are a bit further down the pathway of life, we believe you need a much more comprehensive approach. You have worked your entire life to save for retirement, education, etc. We believe it is imperative that you work with someone who can help you understand these complex issues and have the wherewithal to take you from start to finish.

*Junius V. (Trip) Beaver III, is a co-founder of Lanier Asset Management and serves as its Co-Chief Investment Officer. Trip has been a financial advisor delivering high-value investment solutions to affluent individuals since 1994. In addition to his work at Lanier, Trip donates his time and investment expertise to charitable organizations such as the Library Foundation and the Metro United Way.*

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## **Key Points From Our Investment Meeting – 10/9/17**

### **Macro Viewpoint**

- The Shiller PE 10 is nearly double its historical average.
- Geopolitical risk continues to be cause for concern across the globe.
- Will President Trump be able to get any of his agenda passed in his first year?

### **Asset Class Comments**

- The domestic equity market continues higher. Please diversify!
- Developed foreign and emerging equity markets continue to move higher as investors look outside the US for gains.
- We hope the bond markets are wrong, but they rarely are...

**Building Confidence and Security in Your Financial Future**



# Performance Update

Investment Vehicle	Total Return (%)							
	September	QTD	YTD	1-Year	Annualized			
					3-Year	5-Year	7-Year	10-Year
<b>TRADITIONAL ASSETS</b>								
<b>Cash</b>								
Vanguard Reserve Prime Money Market	0.0%	0.0%	0.1%	0.3%	0.3%	0.2%	0.2%	0.6%
<b>Fixed Income</b>								
Domestic (Barclays US Agg)	-0.5%	0.8%	3.2%	-0.1%	2.6%	2.0%	2.9%	4.2%
Vanguard Total Bond Market								
Eaton Vance Floating Rate	0.4%	0.9%	3.3%	6.0%	4.1%	3.9%	4.5%	4.0%
US Preferred Stock ETF	-0.2%	0.4%	7.8%	3.5%	5.2%	5.4%	5.7%	4.9%
High Yield (Barclays US Corp HY)	0.6%	1.7%	6.3%	7.7%	4.9%	3.3%	4.1%	5.5%
Short Term High Yield	0.6%	1.4%	5.5%	7.5%	-	-	-	-
<b>Equities</b>								
Domestic Large Cap (S&P 500 TR)	2.0%	4.4%	14.0%	18.5%	10.7%	14.1%	14.3%	7.4%
S&P Equal Weight	2.9%	3.5%	11.6%	15.8%	9.7%	14.6%	14.0%	8.4%
Domestic Mid Cap (S&P 400 TR)	3.9%	3.2%	9.4%	17.5%	10.9%	14.3%	13.8%	8.9%
Vanguard Mid-Cap ETF	2.3%	3.5%	12.8%	15.3%	9.7%	14.4%	13.7%	7.9%
Domestic Small Cap (S&P 600 TR)	7.7%	6.0%	8.9%	21.0%	13.9%	15.5%	15.5%	9.2%
Vanguard Small-Cap ETF	4.4%	4.7%	10.6%	17.4%	10.5%	14.0%	13.9%	8.6%
Developed Intl. (MSCI EAFE)	2.2%	5.1%	19.6%	18.8%	4.9%	8.3%	6.3%	1.3%
MSCI EAFE	2.4%	5.0%	20.5%	18.9%	5.0%	8.4%	6.3%	1.3%
Emerging Intl. (MSCI EM)	-0.6%	7.7%	27.6%	22.3%	4.8%	3.9%	2.5%	1.3%
Vanguard FTSE Emerging Markets ETF	-0.5%	8.0%	24.2%	18.7%	4.2%	3.8%	2.2%	1.0%
<b>Real Assets</b>								
Real Estate (FTSE NAREIT US REIT)	-0.7%	1.1%	5.9%	2.3%	9.2%	9.2%	11.3%	5.8%
Mortgage Real Estate	1.7%	3.3%	19.0%	21.5%	11.2%	7.1%	8.9%	-
REIT ETF	-0.1%	0.9%	3.5%	0.5%	9.5%	9.5%	11.2%	6.1%
Commodities (Thomson Reuters/Jefferies CRB Index)	4.6%	13.2%	1.2%	7.0%	-14.2%	-10.7%	-6.8%	-6.2%
DBC	2.0%	6.6%	-2.8%	2.6%	-13.3%	-12.0%	-7.6%	-6.8%
Gold	-3.4%	3.0%	10.9%	-3.2%	5.5%	-4.6%	-0.1%	5.3%
<b>DIVERSIFYING STRATEGIES</b>								
<b>Hedge Funds</b>								
HFRI WCI	0.5%	2.5%	6.4%	7.6%	3.6%	4.8%	4.1%	3.1%
INFINITY*	0.6%	2.7%	4.0%	6.4%	4.9%	7.4%	7.2%	6.6%
Boston Partners Long/Short Equity	4.2%	4.1%	-0.1%	8.8%	5.8%	6.9%	8.9%	11.1%
QIM Tactical Aggressive*	-1.9%	3.5%	53.3%	26.2%	26.6%	15.8%	19.2%	20.9%
Citadel*	0.0%	4.4%	9.0%	11.6%	9.9%	14.1%	15.4%	10.6%
Millennium*	0.2%	2.8%	5.2%	6.6%	8.1%	9.2%	9.0%	8.4%
Hedge Fund Plus*	0.8%	3.3%	12.2%	11.5%	9.8%	9.5%	10.4%	10.5%
Boston Partners Global Long/Short	0.9%	1.8%	4.1%	5.0%	4.1%	5.3%	4.5%	3.4%
<b>Managed Futures</b>								
Barclays CTA Index	-1.5%	-2.5%	-2.0%	-0.4%	1.5%	1.1%	1.0%	2.7%
WINTON*	-2.1%	-0.7%	-4.5%	-8.0%	-2.0%	-0.9%	-1.2%	0.9%
QIM*	2.6%	-1.2%	1.8%	5.3%	7.0%	0.0%	1.2%	2.3%
AQR Managed Futures Strategy	-0.7%	0.0%	-5.6%	-13.2%	-1.3%	1.6%	0.7%	2.4%
Natixis ASG Managed Futures Strategy	-0.5%	4.0%	1.3%	-3.0%	1.1%	4.7%	2.7%	4.1%

■ = Benchmarks  
□ = Lanier Selections

\* For Accredited Investors

## Our Team



Mark R. Hoffman  
CEO, Principal



Junius V. (Trip) Beaver, III  
Co-Chief Investment  
Officer, Principal



Carl W. Hafele, CFA, CPA  
Co-Chief Investment  
Officer, Principal



John E. Thompson  
Director, Private Client  
Group



Dr. Daniel L. Bauer  
Financial Consultant



Sara B. Thomas, JD, CPA  
Financial Consultant



Deidre M. Durbin  
Chief Compliance Officer



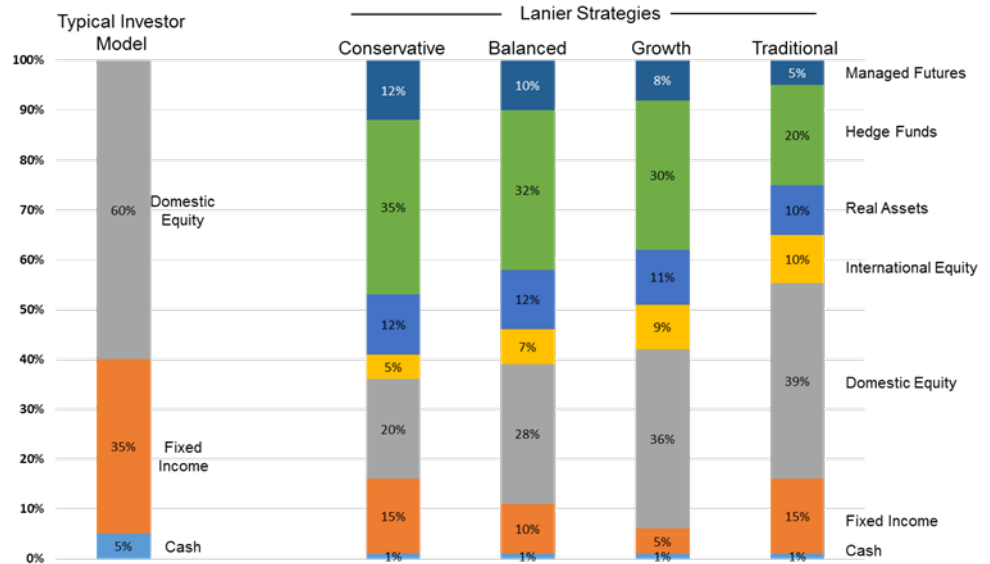
Stephanie E. Milby  
Investment Associate

Building Confidence and Security in Your Financial Future



## Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: **To Build Confidence and Security in our Clients' Financial Future.** We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- **People:** we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- **Investment Philosophy:** we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
  - Focus on projected returns rather than historic for all asset classes
  - Similar to the largest U.S. endowments
- **Investment Process:** combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- **Conviction:** we believe in our approach – this is how we invest our own money

*Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.*

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