

Insights Into Our GTAA Investment Process

By Tom Woolwine, President, September 2013

This is the third and final paper in the series to provide insights into the DMS investment process. This edition reviews our investment philosophy and illustrates the last portion of our three-step process that provides ongoing oversight and risk management for client portfolios.

Investment Philosophy Overview

DMS believes that different economies create different investment markets. Changing markets impact leadership of various assets and styles. Our philosophy of investing is best highlighted by the following tenets:

- Tactical, dynamic asset allocation strategies are effective at improving risk/return profiles
- Win by not losing; emphasize downside protection and capital preservation
- Emphasize active management over passive because markets are inefficient
- Employ multiple sources of alpha generation to beat the odds of being average
- Employ a “value” tilt in equity style diversification
- Use fewer managers to concentrate best ideas
- Implement a contrarian strategy willing to invest at point of greatest pain
- Be patient and plan to be early
- Emphasize consistency and discipline; invest without emotion

Investment Process Overview

DMS employs a dynamic strategy using a three-step process:

1. Global Asset Allocation Policy (featured in our March 2013 paper)
2. Portfolio Construction and Implementation (featured in our June 2013 paper)
3. Ongoing Oversight and Risk Management

Step 3 – Ongoing Oversight and Risk Management

This third component of the investment process represents the day-to-day oversight of client assets by the DMS portfolio management team. Decision highlights include:

- Meet at least weekly to review portfolio position (sub-classes and sub-advisers) versus policy targets and ranges to ensure prudent monitoring, reporting and control procedures
- Have buy and sell orders in place to take advantage of market changes occurring between meetings
- Focus on being early at recognizing changes in direction and valuation of broad markets and leadership of sectors and factors
- Emphasize downside protection and capital preservation as losses hurt more than gains heal

If you are interested in learning more about DMS outsourcing and GTAA services, please contact me at (913) 981-1345.