

Are your investments on track?? How about your 401 (k), IRA or college savings plan? If not, we are here to help. Contact us today for your complimentary consultation.

MACIAN

WEALTH MANAGEMENT



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Are you a Drifter?

Dear Matthew,

Happy Thanksgiving, almost! This year has gone by faster than any of us here could have expected, however throughout the time we have had the pleasure of watching both our company and our client family grow. As growth would have it, we are proud to be opening a brand new location in Brentwood Ca!! To view the invitation please click on the "Grand Opening" link immediately to the left, towards the bottom....or [HERE](#). We hope you will join us in properly christening our new location.

Newsletter - November 2011

It has turned into quite a season filled with conferences, meetings and being thrust further into a world of fresh new faces. I have had the pleasure of speaking on three separate panels in San Francisco, Las Vegas and Santa Rosa and throughout the many presentations we sat through, I began to notice an increasingly more popular topic. Style Drift, or so it is called. Of the literally 100 or so sessions we attended, I noticed this was discussed in one form or another in nearly every single one. I also began to notice this topic was mainly aimed towards investment managers. Here's a common definition:



Style Drift: *The divergence of a fund from its stated investment style or objective. Style drift occurs as a result of intentional portfolio investing decisions by management, a change of the fund's management or, in the*

2011

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case of stocks, a company's growth.

Style drift can be viewed as occurring from one of two reactions: necessity and chasing returns (otherwise known as "shiny object syndrome," as I'm sure it is professionally noted...) As intertwined as these two may begin to become, let's first focus on necessity and how as investors we can interpolate the causes and reactions.

Style drift which occurs due to necessity typically stems from scale issues, or growing/shrinking beyond parameters which allow for a consistency of investment patterns. A fund which grows too large is faced with the risk of needing to deploy more capital than a market, company or trade can withstand. Trading at too high a volume in any particular stock can result in a single manager owning a larger position than can be readily sold, thus risking profit windows which are either diminished or falsified by owning too much. Under this pretense, style drift could occur through over diversification, too many holdings, or in the case of a small cap manager finding it necessary to purchase holdings outside of the targeted class of the fund. Now this may appear to be a seemingly innocent action, however if this causes overlap into another manager, you may be directly exposing yourself to under diversification. A simple example: You invest in three different fund managers; one small-cap, one mid-cap and one large-cap. The small-cap manager's fund grows to such a size that causes him to begin purchasing mid-cap stocks into his fund; you would now have TWO managers in a space where you originally only had one. Another "necessity based" cause of style drift occurs when a more narrowly focused fund experiences long periods of poor returns within its class and begins investing outside its realm. For example, you hire a manager who specializes solely in technology growth stocks, and throughout a long downturn where few technology companies are doing very well, that manager may begin to concentrate on other sectors which are experiencing growth. Now while this may seem good to continue to have the fund growing from rising stocks, same issue as before regarding to diversification. This also adds an additional layer of risk in the fact that you may now have a manager who is deploying capital in less known companies to chase returns. Again, a growing fund can be a good thing, however if the bad days come, allowing this practice to continue can greatly increase your risk of loss.

Now regarding chasing returns; I like to compare this practice to "russian roulette" on the main premise that it is directly intertwined with emotion. When it works, it feels fantastic. When it doesn't, well, you decide where that leads. When a manager begins to chase returns, the optimal and sometimes needed result will be accelerated investment growth and when that happens, euphoric emotions will encourage an increase in this unwanted behavior in both size and frequency. This practice can put the entire fund or portfolio at risk of over-investing into a certain holding, lack of analysis prior to investment or the deployment of capital to evoke an emotion rather than achieve a specific result.

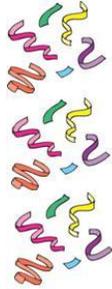
You would be lying to yourself right now if you haven't asked yourself this exact question, "How on earth would I ever have the time or resource to know where to begin in discovering any of this," or "What does this have to do with me?"

As a personal investor, retiree, or someone working to build their first portfolio the issues surrounding the risks associated with style drift are strikingly the same. The smaller the pool of investment capital you are working with today, the higher your personal risk of drifting towards "the one investment that will change it all...." (sound familiar?) Many look at style drift as something only fund managers can commit, but be very wary of falling into that trap. The most prominent form of this deadly disease I see within the ranks of personal investors is the desire to chase returns (again, let's just call this "shiny object syndrome.") Shiny object syndrome is the tendency to see only the positive in a new and exciting thing which little may be known about. Vast are the opportunities to get into a new investment through groups of new people, but few are those that ever play out. This habit of chasing returns can quickly turn into a wild goose chase, and in the downward spiral the need for accelerated appreciation increases at an alarming rate. Remember a 50% loss needs a %100 return to bring you back to even...

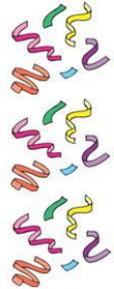
Now, style drift as caused by a necessary reaction such as excessive growth for a personal investor would not be considered style drift at all. As your net worth grows, or shrinks, the types of investment vehicles that suit you will tend to change, amounts of capital you will need to deploy in certain areas will fluctuate and the level of involvement you will be required to maintain will differ. As personal and family investors, we face many changing factors as to how we can most effectively manage and grow our wealth. Drifting from this specific course can slow the process down, or in the worst case scenario leave a tattered remembrance for our personal generations to come.

In closing I'll leave you with this: Be attentive and informed in the steps and decisions which lead your forward. Stick to your investment policy at all costs, and remember this is a living, breathing document, which should be reviewed over time to ensure its relevancy and performance.

Upcoming Events



GRAND OPENING BRENTWOOD DEC 10th



We are growing!

Saturday, December 10th 2011
3:00pm - 6:00pm

100 Cortona Way, #130
Brentwood CA 94513

Please join us in celebrating both the holidays AND our new location in Brentwood CA. We are hosting an afternoon to meet, see and enjoy the company of family, friends and clients alike. Come experience Macian Brentwood for the very first time. For invitation, please click: [GRAND OPENING INVITATION](#)

Classes are almost over!

Every **Monday** through December
12th 2011
6:30pm - 8:30pm

929 Second Street
Brentwood CA 94513
Adult Education: (925) 634-2565

Rounding out the remainder of the year, Jadine will be teaching a series of financial courses in Brentwood through the Adult Education Center. Join us as we explore the many facets of personal and family finance. For more information about the course and how to register, visit: [Liberty Adult Education](#).



Thank you

Thank you for your continued interest in Macian. We work every day to bring you closer to your goals and appreciate nothing more than the warmth of your continued support and referrals. We wish you a wonderful Thanksgiving and look forward to seeing you at the launch of our newest location!

Sincerely,



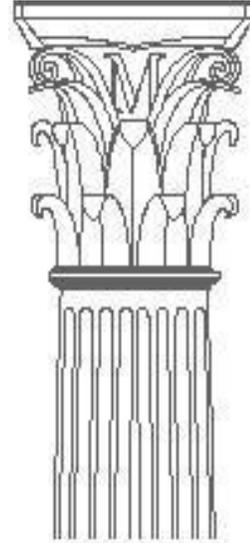
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