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MIXING IT UP

An Index Fan Goes More Active

This adviser says tough times warrant a bit of a shift

BY SHEFALI ANAND

Stock-fund managers aren't likely to beat the broad market in the long run, but some of them can help protect against a market downturn, says Antonio Caxide, an investment adviser in Columbus, Ohio.

Mr. Caxide, chief investment officer at Hamilton Capital Management Inc., uses Vanguard 500 Index Fund (VFINX), which tracks the S&P 500, for the bulk of his clients' U.S. stock allocation. But since last year he has raised the allocation to actively managed funds — figuring they will do better than a straight index fund if the stock market declines overall. “We continue to feel that managers are having a really tough time outperforming the overall market,” he says. “We are actually using [active] managers as a defensive move.”

In this column, we feature model portfolios from investment advisers. Hamilton manages about \$1.5 billion in assets.

U.S. stock prices have run up and earnings seem to be slowing, Mr. Caxide says, and there is a greater chance of volatility ahead. So the firm has tried to trim risk in clients' portfolios.

Advisers at Hamilton typically make changes to portfolios either based on their assessment of how macroeconomic themes will play out over two years or so, or if they think an asset has become cheap or too expensive.

Here, Mr. Caxide shares a portfolio for clients who are retired and need to build capital with low risk for 30-plus years. This model's annualized gain over the three years through June is about 16%, before an asset management fee of about 1% for the first \$1 million of assets.



Antonio Caxide

Ms. Anand is markets and finance editor for The Wall Street Journal in India.

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