



## RIA Profile: Adviser Investment Management

“We buy the managers, not the funds,” explained Dan Silver, President of Adviser Investment Management, a registered investment advisor based outside of Boston. Silver was describing the guiding principle of his firm’s investment philosophy, which has allowed it to grow to \$1.2 billion AUM since its founding in 1994.



Dan Silver, David Thorne, Dan Wiener, Jim Lowell

Adviser Investment Management has a unique history. It was founded by Dan Wiener along with Silver and a third partner, David Thorne, in response to requests by subscribers to Wiener’s highly regarded *Independent Adviser for Vanguard Investors* newsletter, which he created and still writes. Jim Lowell joined the organization several years later, piggy-backing on the success of his own *Fidelity Investor* newsletter. Both play an active role in the firm’s investment activities, applying the strategies and tactics presented in their newsletters to the management of client portfolios.

Wiener and Lowell are both well-established with their newsletter businesses, which serve as an important source of lead generation for the firm. Both newsletters are favorably ranked by Hulbert’s Investment Digest.

Adviser Investment Management serves approximately 1,400 clients with a staff of 35, of which 12 are investment professionals. There are two CFPs on staff as financial planners. The average client relationship is just under \$1 million, and portfolio management and accounting is managed with Schwab’s PortfolioCenter offering. Fidelity is their primary custodian, and most trading and rebalancing is done through Fidelity’s Advisor Channel offering. CRM is handled with salesforce.com.

New clients work with one of Adviser Investment Management’s portfolio executives, who do a detailed risk interview and create a risk profile. Model portfolio strategies, which serve as guideposts, are created by Wiener and Lowell, and each client is assigned to one of these strategic objectives. A portfolio review committee, consisting of senior portfolio executives and management, oversee the process of portfolio creation, customization and assignments for individual clients.

Other RIAs use Adviser Investment Management’s services through their Adviser Alliance program, where the firm manages accounts on a fee-sharing basis. Silver noted that this is particularly appropriate for advisors with 401(k) money at either Vanguard or Fidelity.



## **Manager Research and Fund Selection**

The core of Adviser Investment Management's strategy is in Lowell and Wiener's experience with the mutual fund industry and extensive knowledge of management issues, as well as its Fund Manager Ranking System, consisting of a proprietary database and quantitative modeling system developed in 1999 by Lowell. The system tracks fund managers throughout their personal careers, measuring each manager against a blended benchmark that corresponds to the manager's proscribed investment objectives at each step along their career. Lowell believes that traditional ranking systems, which follow funds and not managers, are at a disadvantage because they often fail to discover new funds that are not on their screens. And of course, managers change frequently. So last year's 5-Star fund could be managed by this year's 2-Star manager. |

Adviser Investment Management believes in actively managed funds, though a portion of their clients' assets are indexed, particularly in emerging markets where the best active managers' funds are often closed. They are style agnostic, and will diversify across the best opportunities and managers, regardless of growth versus value or market capitalization issues.

Although they specialize in Vanguard and Fidelity funds, they are not limited to these two fund families. Once they identify a skillful manager, they follow that manager wherever he or she may go. Silver mentioned that Ed Owens, who manages the Health Care fund at Vanguard, is someone that they have tracked closely and whose funds are used in many client accounts. So you can imagine the disappointment when Vanguard closed Owens' fund to new investors. But because of Adviser Investment Management's size and contacts, they are able to use the Hartford Global Healthcare, run by the very same team at Wellington Management.

## **Risk Management**

The second leg of Adviser Investment Management's strategy is its proprietary Risk-Measurement System. Wiener developed this system fifteen years ago, as an alternative to traditional metrics such as beta and standard deviation. It looks at the worst-case scenario for every fund, based on historical data, and measures the severity of the loss along with the time it took to recover from the loss.

Sliver noted that "we focus on risk as carefully as we do on return. Our goal is to keep pace in an up market, but to soften the blow in a down market."



Data from the Risk-Measurement and Fund Manager Ranking Systems is synthesized and analyzed by Wiener, Lowell, and the portfolio review committee when forming model portfolio recommendations.

### **Current Investment Outlook**

We interviewed Silver in early August, during a period of exceptionally high market volatility. At the time the company's overall outlook was that "no one can predict the bottom of the current sell-off, but our long-term, risk-adjusted investment discipline and proven manager know-how enable us to stay the course."

Silver believes the fundamentals, from earnings to economics, domestically and globally remain on solid footing. "Earnings came in well above analysts expectations, inflation remains tame here and tamable abroad, productivity is ticking up, growth stocks in two necessary areas (healthcare and technology) are cheap by most measures," according to the firm's outlook. Adviser Investment Management has a long-term bullish outlook on the health care sector, and keeps about 10% of client assets in one of two Wellington-run funds. Approximately 10-35% of funds are in internationals (depending on the client's objective and risk tolerance), and about a quarter of that is in emerging markets.

In a recent communication the firm cautioned that the current volatility "doesn't mean that the ground on which we stand isn't suddenly shaky; it is, and is the natural setting of a panic selling stage. Things could, and likely will, get worse before getting better; the nature of emotional sell-offs and sellers is to overdo the pessimism by at least as wide a margin as their optimism's overshot." As a final thought, Silver added that "against that backdrop, jobs are being created - a key indicator of consumer confidence and staying power. And values are being created. If anything, the present sell-off will likely turn out to have been the best buying opportunity of the year."

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