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Asset
Manager
Awards

2018

POISED FOR PERFORMANCE

*Envestnet finds the active-management champions,
like Horizon Investments CEO Robbie Cannon,
who share what makes their portfolios thrive*

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Robbie Cannon
Chief Executive Officer
Horizon Investments

BY JANET LEVAUX

Photography by Tom McKenzie

From its universe of over 2,800 strategies, the Envestnet | PMC team drills down to a group of about 600 portfolios to uncover a small group of gems. Read on for details on how these award-winning asset managers produce consistent results for investors.

At the 2018 Envestnet Advisor Summit, *Investment Advisor* and Envestnet recognized the winners of this year's Asset Manager Awards. The summit took place in mid-May in New Orleans, with social psychologist Amy Cuddy giving one of the keynote speeches.

Cuddy told a crowd of 2,000-plus RIAs and other attendees that body language is an important way for advisors to make themselves both more powerful and more trustworthy. "You are trying to give [clients] a sense of safety," she said, adding that sitting up straight is critical.

With the plethora of distractions today, clients appreciate knowing that their advisors and other business partners are "present" — both physically and mentally. The victory pose, in which you throw up your arms in a "V," is "hard-wired" in human beings, explained the author of "Presence: Bringing Your Boldest Self to Your Biggest Challenges" and popular Ted Talk speaker.

Taking a cue from Cuddy, Horizon Investments President and CEO Robbie Cannon confidently lifted two Asset Manager Awards over his head during the May 16 recognition ceremony. That gesture drew a hearty round of applause from those in the exhibit hall.

While the recognition event included brief highlights of why Envestnet | PMC analysts and *Investment Advisor* staff chose this year's award winners, there is (of course) much more to

tell about how these actively managed portfolios are producing strong results in a highly competitive field.

The award winners are picked from Envestnet | PMC's universe of over 2,800 strategies, which also is trimmed down to a group of about 600 portfolios; to be considered for an award, a manager's team must have at least three years of experience running a strategy with \$200 million or more in assets.

The analysts evaluate the performance and risk-adjusted metrics of these strategies, according to Tim Clift, chief investment officer of Envestnet | PMC.

They also look at the dynamics of the overall team, how these active managers are compensated and incentivized, and what the alpha thesis of each portfolio is: "What do they believe they can do that others can't, what edge do they have that is different, and which ones will have the potential to perform well in the future?" Clift explained.

As in the past, this year's 14th annual Envestnet-*Investment Advisor* Asset Manager Awards recognize active managers in different asset classes who have topped the benchmarks, have shown solid performance throughout the years and are best-in-breed in their respective classes. In addition to the profiles that follow, video interviews and other content from the summit, can be found on ThinkAdvisor.com.

OVERALL ASSET MANAGER OF THE YEAR, STRATEGIST

Horizon Investments, Goals-Based Solutions

Horizon Investments won both the Overall Asset Manager of the Year and the Strategist Award thanks to its forward-thinking approach, Envestnet | PMC analyst Brooks Friederich says: “The firm was first to market in offering goals-based investing within a strategist solution and has long been a strong advocate for educating and changing the way the industry approaches the topic.”

The strategy’s returns last year ranged from 7.34-22.22% for the growth stage, 16.13-22.17% for the protection stage, and 11.97-14.76% for the spending stage.

“Our approach is centered around the individual,” said Horizon Investments President and CEO Robbie Cannon. “For so long, the industry has been worried about exposures, style boxes — large cap and small cap, etc.” The solutions created by Horizon, he explains, “actually meet the needs of the clients.”

The goals-based strategy aims to cover a client’s entire investment journey, meaning financial accumulation, preservation and distribution. Plus, it recognizes that clients’ needs and objectives differ in each of the three phases, according to Cannon.

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“In retirement income ... the question the client is asking is, ‘What’s the maximum I can spend for the longest period of time?’ That’s a very different question than asking, ‘Should I be invested in international [holdings] or domestics?’ That’s really a longevity question.”

—Robbie Cannon
Chief Executive Officer



Watch the interview with Robbie Cannon

VIDEO: <https://www.horizoninvestments.com/manageroftheyear>

ed in international [holdings] or domestics?’ That’s really a longevity question,” he said, and the solution has to be structured accordingly.

What makes goals-based investing special, he says, is how it differs from “old school” or traditional investing: “It’s not IBM you’re investing in or Microsoft; it’s an outcome,” Cannon stated.

Horizon’s goals-based portfolios are available with both ETFs and with a combination of ETFs and proprietary mutual funds. “But they’re structured ... to achieve something that the client is actually asking for. They’re not asking for exposure — they’re asking for a destination,” he said.

In the distribution stage, for instance, the product is structured using a longevity perspective, when investors “need some sort of engine to drive growth,” according to Cannon. “But you also

need some sort of preservation mechanism or risk-management mechanism. And you have to focus on how you are going to drive income into the future.”

Horizon’s strategy combines these objectives and the corresponding investments. “From a product standpoint, very simply, you have a portfolio, you have some short spend reserve, and you have a risk-mitigation technique on top of the portfolio. What you’re trying to solve for is longevity, inflation, sequence risk and catastrophic risk all within the same packaging,” the CEO explained.

While investments in general are “complicated,” Cannon says, the firm’s approach is meant to be simple for investors. “For example, our distribution solution is called Real Spend — an after-inflation-adjustment spend rate that they can see ... 20 and 30 years [out]. It’s something that the client ... can get really comfortable with.”

This and other aspects of the goals-based solutions offered by the firm earn it further praise from Envestnet | PMC’s Friederich. “Horizon’s goals-based solutions are highly differentiated and innovative, namely the use of its patented Risk Assist overlay for its protection strategies, and the concept of a spending reserve to increase the probability of meeting distribution needs for its spend strategies,” he explained.

As part of its distribution solution, Horizon calculates a personal inflation rate, according to Cannon. This tool adjusts for investors who expect to have higher medical costs, for instance.

“The future is heading to goals-based investment management, specifically outcomes and the whole idea of financial wellness for the individual,” he said. The different elements of this approach are all “wrapped around better outcomes, because our businesses in financial services are centered around the individual client.”

Many advisors have used technology for product research, and they’ve relied on cash flow analysis and financial planning, the Cannon explains. “What was needed is this idea of connecting product to planning,” he said. “I really believe that’s goals-based investment management, as they play the middle ground between the product side and the planning side.”