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The Journal *of* Wealth Management

At the start of this letter, I would like to share some exciting news with all our readers. The mission of *The Journal of Wealth Management* is unchanged: it remains to help wealthy individuals and families as well as those who serve them do the best possible job managing their assets. However, I am pleased to announced a couple of important changes. The first is the appointment of Paul Bouchey as Co-Editor along with myself. We are blessed with a growing flow of submissions, and it has become necessary to share the job I have been holding since the journal was founded, in 1998. Paul Bouchey is the Global Head of Research at Parametric Portfolio Associates; I have had the pleasure of knowing him for quite some time; Paul has served on the Advisory Board for many years and has contributed numerous articles. We have also had the opportunity to work together on several clients our firms shared. I have always been impressed by his seriousness and focus, not to mention problem-solving capabilities.

The second relates to changes to our Boards. I would like to extend my thanks to the members of our Advisory and Ambassador Boards who are now retiring. Their contributions were always first class. Let me assure each of them that their respective shares in the success of the journal will not be forgotten. Thanks you, in particular, to Gordon Fowler who is leaving the Advisory Board, but joins the Ambassador Board. Five new individuals are initially joining our Advisory Board, to help us review submissions or come up with more ideas for new topics and source them. A warm welcome therefore to Chuck Carroll, Adrian Cronje, Mark Hays, Philip Marcovici and Franklin Parker. More should follow over the next three to six months.

Jean L.P. Brunel
Co-Editor

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Remember that song by Talking Heads? "…*and you may find yourself behind the wheel of a large automobile*…" Wealth can often create this feeling of wonder and dislocation. How did I get here? This is true for owners of wealth and also for advisors of wealth. What is it we are doing here? What is the moral architecture for managing and advising wealth?

There is no question that the study of money is fascinating. Money is a social fiction, an illusion, a bit of paper covered with mystical symbols. Try to figure out how a bank can lend more money than it has in its vault, read about how we shifted from a gold standard to no standard, and try to understand what is happening with bitcoin and you will soon come to realize that money is not real.

I think of money as a symbol that represents a person's ability to affect and control their environment and to meet their needs. The psychologist Abraham Maslow pointed out that people have a hierarchy of needs, from basic needs like food and safety to psychological needs like belonging and a feeling of accomplishment, and finally, to self-actualization or the achieving of one's potential and finding a personal

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mission in life. And, while money isn't the only thing required, it can help a person meet these needs—the ability to provide yourself and family with food and housing stability, the freedom to pursue your interests, the resources to combat entropic forces like climate change, disease, and ignorance.

When someone asks you to help them with their money, they are asking for help with one of their most important tools for affecting their world and their life. Risking someone else's money is often risking their standard of living. An advisor is charged with a conflicted mandate: to gamble and grow and protect someone else's sacred treasure. It is easy to become cynical in the investment industry. Focusing on money for money's sake. But I think this sentiment misses the bigger picture. A better definition of what wealth managers do is improving financial security for people—improving their ability to control their world, giving them the power and freedom to pursue their dreams and happiness. For those with significant wealth, the question changes from how can I meet my needs (like retirement and sending kids to college) to how can I have an impact on the world. In other words, with great wealth comes great opportunity and great responsibility.

There is a deeper purpose behind wealth management as well. The capital markets are a key component of the world economy, a driver of technological innovation. Over the last 500 years this convenient mode of social interaction, "the market," along with other social forces, has helped raise our standard of living from illiterate subsistence farming to an interconnected global society.

Often investors and advisors forget that the capital markets were not built for them. They were built to provide ready capital to business and entrepreneurs; and to provide a mechanism to share business risk. The investor is saddled with the risk and also faces fees, trading costs, taxes, and inflation, in other words, they live in a very harsh environment.

As I see it, the real thing that wealth managers do is make the capital markets a friendlier place for investors. We help investors move toward a diversified portfolio. We pay attention to the frictions of investing—taxes, fees, costs. We're like a space suit for investors. Providing protection against risk and friction allows investors to feel more comfortable in the market.

This approach also improves the capital markets. The movement of capital from saver to enterprise is best for a society when the level of fees, costs, and uncompensated risk is minimized. Giving investors more efficient access to the markets ultimately helps to drive the economy, technology, and innovation. Many challenges face our planet—climate change, the struggle between fundamentalism and liberty, and the large disparity in standards of living around the world—to name a few. Bright, creative, and strong-willed people that know something about the secrets of money are needed.

Paul Bouchey
Co-Editor

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The Fall 2021 issue of *The Journal of Wealth Management* as usual covers a wide range of topics, with, three articles quite a bit longer than usual. We hope that our readers will find them interesting and instructive.

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Our first three articles focus on thematic issues in the world of classical investment management. The first, by Mark Hays and John McCabe discusses sustainable and impact investing approaches to the management of investment portfolios and introduce a taxonomy of sustainable and impact investing approaches, mapped to a set of guidelines for fiduciaries to consider in practice. The second, by Shikha Bhatia, Nidhi Singh, and Harshika Jain, intends to determine factors that influence millennial investor's attitude and behavioral intention to invest in the stock market in a developing nation, extending the "Theory of Planned Behavior." The third, by Heena Thanki and Narayan Baser, looks into Financial Risk Tolerance, studying the impact of various demographic factors, personality type, and financial literacy, concluding that personality type and financial literacy along with gender, income, marital status, occupation, and number of dependents are the most significant factors.

The next three remain in the asset management domain, with a twist. The first, by Steen Koekebakker and Valeriy Zakamulin, considers the optimal portfolio choice problem for a loss-averse investor, which they describe as a debate between the suggestions of Warren Buffet and Zvi Bodie, concluding that a loss-averse investor prefers Buffett's investment advice over Bodie's, selling rather than buying long-term put options. The second, by Leonard Lundstrum, delves into the empirical evidence on the diversification benefits of adding investable emerging market currency fund exposure to a portfolio which is otherwise internationally diversified across developed markets, finding that emerging market equity exposure does not offer diversification benefits, however, in contrast, we find that emerging market currency funds do offer diversification benefits. The third, by Shady Kholdy, John Miller, and Libo Sun, explores the dynamic interaction of mutual fund herding, investor sentiment, and market volatility, concluding investor sentiment and market volatility are the most prominent causes of buy-herding. Market prices and investor sentiment are indicated as the main causes of sell-herding and that herding behavior can affect market prices in most stock quintiles and market volatility in smaller stock quintiles.

Our last three articles discuss more esoteric issues, though the general focus remains on investment management topics. The first, by Raj Kumar and Manu Sharma, starts with the observation that, in times of pandemic, asset prices continue to fall with no stopping pointing to the need for a theory as well as financial model to evaluate the price of assets in times of pandemic and extraordinary market events. The second, by Rakesh Kumar, Mohammad Firoz, and Praveen Kumar, attempts to visualize the most vibrant work done in the field of private equity and venture capital and puts both areas into a single frame. Our final piece is by Michele Santangelo, Ilse Botha, and Nicolaas Strydom, and looks at the hedge fund industry in South Africa with the goal of understanding the dynamic linkages that may be present in both the long- and short-term.

Jean L.P. Brunel
Co-Editor