

Back To The Future: From Models To Individualized Portfolios At Scale



Since late last year, I've had the pleasure to participate in the development of a new initiative from our sister company Orion. This product, named ASTRO, is a fairly unique offering coming soon to Orion's client base.

ASTRO is a tool that will allow advisors to see their portfolios in a whole new light and it will significantly enhance the efficiency of the practices of the Orion advisors.

ASTRO stands for Advisor Strategy and Tax Return Optimization. It is a sophisticated program that enables advisors to perform institutional-type risk analysis and portfolio optimization. ASTRO, which can be performed with stocks, bonds, ETFs and Mutual Fund domestically and internationally, enables advisors to manage client risk and maximize after-tax returns simultaneously.

As is implied by the name, the goal of the tool is to allow advisors to strategically measure and manage portfolios for tax-sensitive clients through the use of mathematical constructs often referred to as optimization.

Optimizers are perfect tools for making investment decisions. They allow you to make complex decisions in the face of uncertainty while dealing a large amount of data and variables that need to be traded off simultaneously. In fact, they are some of my favorite tools to use in thinking about my own decision making on many Risk Budgeted and risk managed portfolios at CLS.

The Problems ASTRO Solves

What types of problems will ASTRO solve for advisors? I believe ASTRO will accomplish a few interesting activities that historically have been common in more of an institutional investment setting:

- Analyze portfolio risk through the lens of risk factor models. Risk factor models allow users to increment their total portfolio volatility or tracking error versus a benchmark, and then decompose the sources of risk to highlight common drivers of equity and fixed income risk profiles.
- Build a portfolio that effectively tracks a larger pool of securities normally held in a target index such as the S&P 500 or user-specified model portfolio.
- Allow for client specific preferences such as limits on realized capital gains, specific position sizes, or other constraints such as ESG related mandates to be a part of the construction process via additional target objectives or portfolio constraints.
- Building model portfolios that can have similar risk profiles to that of a specified benchmark or maximize risk-managed return relative to that benchmark based on their own views of which securities will outperform the market.

All four of these features ultimately mean that advisors can manage their client assets in a way more consistent with how some of the largest asset managers in the world—including BlackRock, Vanguard, and State Street—do every day.

It also means that advisors can have the flexibility and scale to manage their assets without requiring as much manual input to bring on new client assets.

ASTRO is an exciting initiative for Orion and also for NorthStar collectively. It will play a bigger role in disrupting the way advisors access portfolio management tools that have only available to the largest institutional size firms on the street.

[Please click here to request a demo of ASTRO](#)

[Questions about ASTRO? Click here to download our white paper on portfolio optimization or if you want to get started right now, log into Orion Social to connect with the Orion SME Trading Team.](#)

This article is a guest contribution from Joe Smith, CFA, Senior Market Strategist for CLS Investments, LLC.

0086-OAS-2/14/2018