

Capital Group and Toews: The Behavioral Portfolio



Since the 1980s, the study of behavioral finance has helped us to identify why individuals make the investment decisions they do and how these decisions collectively impact the markets. Advisors want their clients to succeed over the long-term, and helping them stay invested in volatile markets is a key goal. However, what is often overlooked, is the impact behavioral finance has on financial product design too.

This month we've paired two strategists available on Communities, Orion's robust model marketplace, that addresses both sides of the behavioral finance coin. Capital Group, the parent company of American Funds, provides investors with confidence in the most uncertain markets, while Toews Corporation designs portfolios rooted in behavioral finance theory.

Introducing "The Behavioral Portfolio"

Capital Group/American Funds "The Legendary Manager Focused on Long-Term Outcomes"

- Capital Group is a brand firm and one of the largest asset managers on the planet with close to \$2.0T in assets.
- Starting in the heart of the Great Depression, Capital Group has a history as a premier institutional active manager with a strong track record and reputation for retaining clients.
- Models are broadly diversified and focus on client investment objectives ranging from growth to income, utilizing their iconic proprietary, low-cost, actively managed American Funds mutual funds.
- While the underlying funds use Capital Group's unique investment

philosophy - including a multi-manager structure and high-conviction investments grounded in fundamental research - their asset allocation is more stable and consistent, focusing more on diversification for the long-term.

- Capital Group provides two benefits when used as the core holdings of an overall portfolio - they help take advantage of market movements and possess the potential for alpha generation given the actively managed underlying investments.

Toews Corporation “The Behavioral Portfolio Design”

- Toews is an emerging manager who started in the mid-'90s. They focus on tactical investing, income, and behavioral finance.
- Toews' investment philosophy is Behavioral Portfolio Design. They build portfolios that seek to reduce risk by attempting to avoid periods of extreme losses (by tactically getting out of the markets fast) while still participating in market gains.
- Their investment approach can help risk-averse clients feel more comfortable during drawdowns while also helping risk-seeking investors take advantage of the upside - ultimately supporting the importance of staying invested for the long-term.
- Toews models are more tactical in their active management approach and have popular strategies with a strong focus on yield and income generation.
- Their strategies pair well with a more broad-based, static core as they can add more of the tactical asset allocation and diversified income focus.

Explore over 20 Capital Group/ American Funds models and 15 Toews models available in Communities. Not yet a subscriber? Let us provide you with a demo of Orion Communities.

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