

---

# BEHAVIORAL FINANCE, IMPACT AND TECH INVESTING

Jeremy Schwartz – Global Chief Investment Officer  
05/16/2017

Last week on our podcast, we had two great guests with very different foci.

The first guest, Ron Albahary, Chief Investment Officer of the Threshold Group, a \$3.3 billion registered investment advisor (RIA) founded as the Russell Family office, relayed how he has embraced [behavioral finance](#) extensively at Threshold, with a special focus on [impact investing](#).

The second guest, Beenet Kothari, founder of Tekne Capital Management, focuses on the technology sector, and we had an interesting discussion on [valuations](#) in the Internet space.

## Behavioral Finance and Impact Investing

Ron Albahary outlined the four areas where he uses behavioral finance in managing client outcomes:

- **Transparency in Personal Biases:** Albahary talked about the behavioral mentalities that each of his team members brings to the table and how being aware of team dynamics and biases helps them understand how they approach different decisions in their portfolios.
- **Understanding Manager Biases:** Albahary suggested the biggest problem he has found with [active managers](#) is their overconfidence in their abilities and how due diligence helps manage behavioral biases in their portfolios.
- **Client Communications:** Albahary talked through an example of a simple framing issue in communication with a client: “You have \$20 million; would a 10% loss be acceptable?” The client said yes. But when the question was framed as “would you be comfortable losing \$2 million?” the client said no. Using clear communications with clients is one way Threshold helps manage portfolios to achieve their clients’ goals.
- **Mental Accounts for Structuring Portfolios Geared toward Impact:** For many clients interested in impact investing, Threshold has started utilizing a concept of mental accounting to better frame investments geared toward impact. Listening to the bucket approach of mental accounts was an interesting way to manage toward outcomes.

Albahary’s team does a lot of work on impact investing for clients. This discussion was worth having to understand how an RIA moves investors toward having an impact with their

investments and how they change portfolio structures to help investors achieve these goals.

Albahary and I talked off the air about how all the political conversations currently happening are accelerating interest in impact investing—which is an interesting commentary on today’s state of affairs.

### **Tech investing: Searching for Profitable Growth**

In the second half of the podcast, I talked with a fellow Wharton graduate. Beenet Kothari now runs a technology fund that is focused on the impact of the Internet. He believes some of the largest companies today are still selling at very reasonable valuations, given their growth profile. He contrasted these large tech companies with some slower-growing consumer staples companies that are selling at similar multiples, but without any growth.

Kothari made some very interesting points about ride-sharing programs in emerging markets such as China and India. Emerging markets often leapfrog the developed world by embracing new technologies. An example is the adoption of mobile phones in emerging markets that goes beyond PCs or landlines.

One of the largest expenditures people make—outside their homes—is in cars. Kothari sees the ride-sharing services in countries such as China and India replacing the need for these consumers to own their own cars—which makes for smaller expenditures. And with car companies adding more wear and tear to cars than when people owned them individually, Kothari doesn’t see this as actually lowering net car demand—and he ventured to look into his crystal ball to suggest that we will sell more cars globally in 2027 than in 2017.

Kothari looks for profitable growth opportunities—companies that can drive growth but in a profitable way. He remarked how easy it is for technology companies to transition across their traditional platforms into things like payments, investment management and other services. This will be one of the more interesting developments over the coming years, and I appreciate Kothari sharing his perspective on the tech world as it stands today.

Listen to the full podcast:

**Important Risks Related to this Article**

Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

## DEFINITIONS

**Behavioral finance**: An academic branch of finance devoted to studying the behavior of individuals as it relates to their financial decisions.

**Impact investing**: Investing in a socially or environmentally conscious manner in addition to financial profit.

**Valuation**: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

**Active manager**: Portfolio managers who run funds that attempt to outperform the market by selecting those securities they believe to be the best.