

Money Holders

Money Holders

- Individuals, and organizations which own money
- Benefit from its growth or are impacted by its loss
- Includes individuals, sovereign funds, corporations, endowments.

Investable Assets –

- All financial assets, including real estate / primary home ownership, minus operating capital.
- Estimated universe of ~\$280 trillion as of the end of 2014

Jobs to Be Done

- Goals, e.g., returns, inflation protection, transparency, etc
- [Framework developed by Clay Christensen to look at customer needs by focusing on their fundamental motivation.](#)

Intermediaries

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- Professionals who advise the Money Holders
- Either buy direct assets or select Indirect Investments for the Money Holders
- Does not include investment bankers
- Includes multi-family offices, fund of funds, and private wealth advisors

Investments/Money Managers

Money Managers

- Autonomous individuals and entities which make discretionary investment decisions
- Includes mutual funds, hedge funds, private equity funds, ETFs, risk parity funds, "smart beta" funds ,etc

Indirect Investments

- Purchase of a security into a fund or vehicle with a Money Manager making decisions

Direct Investments

- Purchase of an asset by a Money Holder directly from the original owner, without a Money Manger

Total Portfolio Return

- The return of the portfolio that comprises of cash+Beta+Alpha, excluding fees, costs and taxes

Risk-Adjusted Return

- Methodology of evaluating investment returns in relations to their inherent risk
- Objective is not to aim at the highest return possible, but at the smallest ratio of return over risk as desired volatility.

Alpha

- Generating returns above market return (cash returns + Beta).
- Requires active management.

Beta

- Benchmark market return of a portfolio above the return of holding cash, typically generated by replicating the market.
- Generating Beta requires only passive management.

Disruptive Innovation

- Process by which a product or service transforms an existing market by introducing simplicity, convenience, accessibility, and affordability.
- Improvement such that a measure of performance that was secondary in the past becomes primary. Disruptive Innovation also typically creates new markets as opposed to simply replacing old ones.

Macro-driven Change

- A macroeconomic or societal change which forces major change in in the asset management industry.

Macro Trend

- Evident, measurable shift in social, economic or political conditions caused by Macro Change

Sustaining Innovation –

- Improvement on the current performance measure, which leads to newer and better products and services sold to the same consumers.
- Does not typically create new markets.