

Wall St adviser laments state of financial analysis

By **TEH HOOI LING**

MICHAEL Yoshikami, CEO, founder and chairman of Wall Street independent financial advisers YCMNET said that a "balanced, less egotistical analysis of data is sorely lacking" in the financial industry nowadays.

"You see all these people in the financial sector with fancy cars and expensive watches. They are always right even when they are wrong. I don't respect this kind of behaviour in the industry," he told National University of Singapore business students in a lecture yesterday.

"As investment professionals, we have a responsibility as best as we can to be the stewards of people's hard-earned money."

The advice from the man who was named by *Barron's* as one of their Top 100 Independent Financial Advisers for 2010 to the students: Assure your potential employers that you would try your best to do a balanced research, bearing in mind your own biases. Say: "I am aware of the areas where I might be wrong, and as my employer, I will try to make sure that you are not blindsided by my weak spots."

"Dogmatic thinking will be a curse for your career," he told the students.

The penalty of being wrong is greater now than before. It's not just loss that one is talking about, but an entire fund or company can potentially be wiped out. This is because of the increased volatility brought on by, among other things, the emergence of super fast computers; the democratisation of information as a

result of which many people can react to news or developments almost simultaneously; and the ease of flow of funds around the globe.

In the new investment landscape, markets and asset classes are much more correlated, that is they tend to move in the same direction. Also, currencies are playing a bigger role in investment strategies. Not only do investors have to consider how a market or an asset class would do, they should also consider how the various currencies are going to behave.

To have a chance of success, investors should try to look at big thematic shifts that 51 per cent of the world has not discovered yet. Among the shifts that Dr Yoshikami thought most people are missing included: one, the underappreciation of the people in the United States and Europe of how developed the developing countries have become; two, the big jump in demand in the next five to six years for commodities, especially food, as the middle classes in the emerging markets continue to bulge; three, that deleveraging will have a long term impact on economic growth.

Dr Yoshikami reckoned the panic level in the market now is seven out of ten, as compared to nine out of ten in the 2008 global financial crisis.

Currently, he has allocated the asset under his management to gold, commodities, high dividend paying stocks and utilities. The equity exposure is 50 per cent. "If things stabilise, we will increase our exposure to financial services providers and technology stocks."