

Alone In The Crowd.

What The Individual Can Learn From The Institutional Investor.

Institutional investing is simply individual investing “writ large.” People are people, alone or in a crowd. Institutional investors are subject to the same foibles as investors totally on their own and make the same mistakes; they just do so in the company of others.

However, large investing institutions do have one distinct advantage over individual investors, they have a lot more money which they spend copiously in the pursuit of investment success. The Internet has become a fruitful harvesting ground for much of the research paid for by large institutions that is usually free for the taking by those who know where to look.

Modern finance has been developed largely by and for institutions. Beginning in the 1960s when heavily endowed colleges and universities began to experience an escalation in costs, reliance on investment income became critical. A decade later, the 1970s saw the adoption of ERISA to govern the management of corporate pension plans which, by then, were growing exponentially. Also as defined contribution plans began to outstrip the traditional “gold watch” corporate defined benefit plan, and confronted the individual employee with the same investment responsibilities as formerly held by his employer, it became increasingly clear that the investing tools developed for the exclusive use of institutions were also relevant to individuals.

Out of financial necessity, then, came such now everyday concepts as: asset allocation, total return investing, index, or passive, investment management, multiple portfolio managers, investment policy statements and spending rules, all of which are in common use by individual investors. What we learned, then, is that most of what works for institutional investors also works for individuals; it just usually needs to be scaled down to fit different requirements and adapted for fewer resources.

Consequently, we scour the Web for the best research institutions make available and try to make what is relevant available for our viewers. Institutional research and analysis is often burdened with financial jargon and too many equations. It would be nice if we could “translate” every piece we place on the site, but we can’t. Still, even in its raw form we believe what we provide is worth the attention of the serious investor.