

Philequity Corner (July 8, 2013)

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Portfolio Management and Fitness

I am surprised to bump into my financial adviser at the gym where she works as personal trainer. She is out of her corporate attire, but doesn't seem out of place wearing, instead of her usual business suit, black biking shorts down to the knees and a spandex tank top showing bare midriff and a tattoo over her navel which of course I never saw before: "Risk Averse" in gothic script.

She sees my puzzled look when I call her by name, and explains that she is a twin sister of the one I probably know from the bank. They're often mistaken for each other so that her investment-guru sister is occasionally accosted about chinning bars and sit-ups. She in turn is asked about risk appetite and naked shorts.

She hastens to add that the two sisters' jobs are in a way similar as investment strategy is much like a workout regime.

We get right into discussing a fitness program that will suit me. She asks: What is your goal? Do you want to trim down your waist and bulge up the shoulder muscles or just maintain your ovoid shape? It's helpful, she adds, to visualize the results of the six-month gym regimen—how do you see your future self?

I confess that I picture myself in those EDSA billboards by the bridge as a hunk leaning on a pillar and looking straight at the camera with nothing on but a look of resolve. She does not dismiss this fantasy outright saying only that she needs to work with what I have, my starting capital in terms of body mass in the wrong places (too much flab) and upper body strength (non-existent). She says that I need a reality check and modify my overly ambitious goal down something doable, maybe some toning of muscles. Billboard appearances, if there are any, will be limited to certain products like adult napkins for incontinence, clinics for wart removal, or vitamins against osteoporosis. She offers to bring me for a "go see" to agencies that use models for these products.

My risk appetite is probed.

She explains that this translates to determining how much punishment I am willing to endure. How much loss of comfort and time can I absorb? I am surprised when she cites a book by the originator of the "black swan effect", Nassim Nicholas Taleb (2012) "Antifragile". She refers to the idea of risk and volatility, quoting the author, "everything loses or gains with volatility". She adds that Taleb specifically uses the fitness metaphor to illustrate his antifragile concept that certain things gain from stress. Thus the body improves in health and strength when strenuously subjected to punishment such as lifting weights and undergoing challenging regimens. This is true as well of investments. She doesn't explain how. She realizes she has said too much.

She still has to determine my tolerance for aches pointing to the sign on the gym wall—no pain, no gain.

The starting point of any program is the subject's current physical fitness. So as not to limit my horizons, she asks me which gym regimen I want to try. Am I open to pole dancing?

I admit that my only exposure to this sport, if it can be called that, is as a spectator. I realize that one who is no longer young and supple is unable to make vertical climbs. I definitely have second thoughts in trying this exercise and do not see myself holding a horizontal position at the middle of the pole.

Before she offers me a possible portfolio, she asks again about my pain threshold. I say that I am pain-averse and would rather take it easy with a conservative regime where I only need one towel for my sweat and not too soaked at that.

Here, she starts to sound more and more like her twin sister. So, you just need toning and would not want to venture into riskier offerings like a flying trapeze without a net or maybe a boxing workout without gloves which the ladies seem to go for.

I ask why the gym seems so crowded with a queue for each of the 20 treadmills.

She says it's been a record run in the last months breaking new highs in attendance and usage 30 times since the start of the year. She adds that these are just hot bodies that are looking to get in and then quickly exit. They're not long-term players with long time horizons. The gym management is expanding the facilities so there will be some quantitative easing. Is she still talking about the gym?

After establishing that I am risk averse and indisposed to pain and even sweat, she draws up a low calorie burn program that will just bring up my heart rate a bit and give me enough bragging rights to say that "I go to the gym". This should get me going in lunches and cocktail parties. It's irritating to be thrown in with gym rats in tight shirts describing their Olympic style training using uneven bars to jump in and out of and lifting weights lying down. Obviously, they adhere to the pain and gain correlation.

My trainer is unfazed by my lethargy. She summarizes my situation and goals. She says that I may understand my fitness regimen more clearly if she puts it in the investment terms her sister would use—you don't have much cash to invest and you want to conserve that. You are quite risk averse and would have a fainting spell at the prospect of losing even 15% of your investment in three days, when it's marked to market. You just want a steady even if low level of revenue from fixed income assets like bonds and commercial paper.

I have to agree it's a fair description.

She surmises too that I am not prone to joining any zip line tours and lining up for a roller coaster ride with a 360-degree turn.

I ask her then what she would recommend for me. Well, you can just sit in the sidelines, earphones plugged in, listening to old-time country music on your phone...where Johnny Cash is king.

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