

Coach's Corner

Our latest commentary to help you elevate the success of your practice

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Challenge Magnificent Seven Complacency with an Ism

By: David Richman | March 19, 2024

What is your biggest competitor year in and year out? Client inertia.

What drives client inertia? Complacency. It can sound like this: "Thanks, *but* I'm all set."

And what's driving complacency in today's markets? The "Magnificent Seven."

The mag seven is today's key driver of both complacency and consternation in our opinion. Complacency for those investors who have placed their money in these few holdings, and consternation for everyone else, especially below benchmark active money managers and advisors standing by the critical importance of diversification.

Beware of lamenting the mag seven though—no one enjoys a pity party. Rather than citing its outsized percentage of major indexes' returns or uttering the phrase "reversion to the mean" to your clients, develop an ism that challenges the seven's risk/reward profile moving forward.

An ism is a timeless, pithy sound bite that connects your foundational investment beliefs to the advice you give to clients. Take this ism from Dennis Lynch, Head of [Counterpoint Global](#) at Morgan Stanley, as an example of how you can challenge clients' complacency:

"Portfolio holdings should not be evaluated based on how they are behaving."

Your clients will likely respond, "What does that mean?", so we asked Dennis to elaborate.

"In the context of the magnificent seven, investors may be more focused on favorable stock price momentum rather than fundamentals. The market has perceived these select few companies as safe havens, seemingly immune to the financial gravity of higher interest rates. Most of the magnificent seven's strong returns have been driven more by a flight to perceived safety and multiple expansion, rather than significant upside in company-specific fundamentals."

Bottom Line: An ism can bring comfort to already diversified clients. Isms can also help do-it-yourself prospective clients consider the potential downside of their complacency.

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David Richman
Managing Director
Advisor Institute

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