The Active Manager

NAAIM

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INDEX

Accounting for the Invisible Costs

BY BRADLEY KELLOGG

DID YOU CHOOSE NOT TO PARTICIPATE IN THE office lottery pool? Did you wait too long to get that new sweater, and it's no longer on sale? Did you push back your family vacation to Europe by a few months, and then had to cancel because of the pandemic…?

While these experiences are clear examples of what missing out on an opportunity can mean for a person, it's much more difficult to pinpoint the costs of missing out on a timely investment. To advisors, brief delays when executing a client order risks the market moving away from her investment decision. This scenario is amplified during periods of fast-moving markets and will contribute to the performance of the investment.

With any investments, there are hard costs that all advisors and investors need to be aware of: commissions, fees, taxes, and spreads. However, there are additional *invisible* costs that result in investors losing out on millions of dollars every year. The downsides of not recognizing these potential costs, and consistently working against them, may result in misallocation of funds, inefficient stock selection, subpar portfolio construction, inappropriate execution strategies, and overall

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President's Letter

Matthew Spangler

AS WE NEAR THE ANNIVERSARY of the first pandemic lockdowns in March 2020, one of the thoughts that really stands out for me is how much we have accomplished. The lack of in-person conferences forced NAAIM to venture out and try new things.

When we canceled the 2020 Uncommon Knowledge conference, Ryan Redfern and his agenda team went to work to bring the speakers and topics we had planned for the conference to the members digitally. Our presenters stepped up to make themselves available and the response from members was more than we had hoped. Members appreciated the opportunity to engage with speakers and each other, and the board is determined to continue the exchange of ideas online and to connect with members more consistently going forward.

OUTLOOK 2020 as a digital conference went better than we expected, exceeding normal attendance. The presenters worked with the agenda committee to provide great content. Participation was strong throughout the two days. We continue to see good attendance in the monthly Exchanges and webinars. It has really helped me, and I know many others as well, to have that twice a month interaction and to be able to talk and chat with each other.

The Board is waiting to see how vaccinations impact COVID-19 infection rates and restrictions over the next couple months before we decide the format of the 2021 Uncommon Knowledge conference – whether virtual, in-person or a combination. There is a possibility it may be pushed back further in the year if that offers a better conference experience and greater safety for our members. Regardless of what happens with the UK Conference, the board is planning to have an in-person conference in the second half of 2021, as long as COVID restrictions have been removed.

Three NAAIM members were elected to the board at our Annual Meeting during the OUTLOOK conference – Ben Fox, Jacob Deschenes, and Sam (Bo) Bills, Jr. Take a moment to read their brief bios on page 2.

Service awards were presented to Ryan Redfern, Paul Schatz and Dina Fliss. Ryan did an exceptional job transforming Uncommon Knowledge to webinars throughout the summer and turning OUTLOOK 2020 to a digital conference. He is continuing in his role as NAAIM Vice President and head of the Agenda Committee for 2021 as well and I hope you will reach out and offer him help. We also recognized Paul Schatz for his outstanding service to NAAIM. The amount of time and energy Paul has spent promoting NAAIM over the years is tremendous. He is actively involved in almost every aspect

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Do You Have a $5,000 Thought to Share?

$5,000 IS WHAT YOUR IDEA COULD WIN if submitted to the NAAIM Founders Award 2021 Whitepaper Competition. The prize will be awarded to the best paper submitted in 2021 resulting from research into active investment management, which NAAIM broadly defines as investment strategies and techniques that improve upon the risk-adjusted return obtainable from a passive, buy-and-hold investment strategy. Papers must be of practical significance to financial professionals and must discuss a strategy or idea that is realistically executable in current financial markets.

The competition is open to all investment practitioners, academic faculty, and doctoral candidates in the field. A jury of scholars and investment professionals will review entries and award the prize.

All submitted papers should be recent, unpublished and of a quality appropriate for publication in a peer-reviewed academic journal. For more information and competition rules, download the Founders Award 2021 entry forms at the end of the newsletter.

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FOUNDERS AWARD
FOR ADVANCES IN ACTIVE INVESTMENT MANAGEMENT

Call for Papers
2021
Whitepaper Competition

https://www.naaim.org/programs/founders-award-2021/

NAAIM Welcomes Two New Board Members and Return of a Third Member

AT THE NAAIM 2020 ANNUAL MEETING, HELD digitally during the OUTLOOK 2020 Conference, three individuals were elected as Board members – Ben Fox with Scarecrow Advisors; Jacob Deschenes of Era Capital Management, LLC, and Sam (Bo) Bills, Jr., with Bills Asset Management. This is Ben and Jacob's first term on the board, while Bo has returned for a new term.

Ben is responsible for publishing daily newsletter updates and distributing these updates to the Scarecrow Trading customer base and tracking entities, and supports the Numetrix Capital partnership. Previously, Ben was in a sales capacity for Family Heritage, a supplemental health and life insurance company. He holds a Baccalaureate degree from Patten University in Oakland, CA, and has his Series 65 designation and Life and Health licenses. Ben is a veteran of the United States Air Force Reserve. He currently lives in Cottage Grove, Minnesota, with his fiancé Allie.

Jacob is Investment Advisor and Portfolio Manager of Era Capital Management LLC. With more than two decades of experience in this industry, Jacob created his investment strategies for dealing with market turbulence. His three-dimensional approach is robust, unemotional, and systematic when managing clients' assets. Jacob is a solo advisor located in Kennewick Washington.

Bo is a licensed Certified Public (CPA), a Certified Financial Planner (CFP) and received his B.S. and Masters in Accounting from U.T. Knoxville. Before joining Bills Asset Management, Bo spent six years with KPMG Peat Marwick LLP (Senior Tax Manager) and five years as a V.P. of Finance and Tax for a large publicly traded Nashville company. Bo and Kelly (his wife of 31 years) reside in Nashville, Tennessee. They have 3 children, 2 dogs and a cat. In his free time, Bo enjoys fly fishing, tennis, hiking with Kelly and the dogs, and all things Titans, Vols, and Predators.

NAAIM's Active Investing Strategy Competition Is Back for 2021!

LAUNCHED IN 2013 NAAIM'S ACTIVE INVESTING Strategy Competition provides an opportunity for managers to showcase their active investment strategies, models, and signals, and provides NAAIM members with opportunities to develop relationships with other active managers.

2021 Competition Categories include:

- Stock selection
- Tactical allocation
- Asset allocation
- Fixed income
- Alternatives

The winner of each strategy competition will be chosen by the NAAIM Active Investing Strategy Competition Committee. Category winners will receive promotion to the NAAIM Membership, live meetings with Manager-of-Managers firms and a $500 Cash Prize. In addition, there is a Grand Prize (to be decided) to the most outstanding strategy.

This year's competition will take place digitally with live audiences in two rounds – Preliminary and Final - with each competitor given nine (9) minutes to present their strategy. In the preliminary round, a question-and-answer period with NAAIM committee members will follow the presentation. Finalists will be announced by May 15, 2021. The final round will take place June 23 and 24, 2021. In the final round, the Q-and-A session will include judges and audience.

Who May Participate: The NAAIM Active Investing Strategy competitions are open to all trading and investing practitioners who have developed strategies with live, verifiable, real money track records. Note that NAAIM Membership is required to participate in the live NAAIM Shark Tank Finals.

How to Apply: Managers wishing to participate in the upcoming event are requested to submit an application to the committee by 9pm ET on Thursday April 1, 2021. DOWNLOAD ENTRY FORMS and links to https://www.naaim.org/programs/naaim-shark-tank/

Past Winners on Their Shark Tank Experience:

"I can't say enough about the NAAIM Shark Tank Strategy Competition or the NAAIM community in general. Having recently left a CIO position at a large RIA firm, I was looking for an opportunity to showcase my new consulting service. The strategy I presented to the Shark Tank was very well received and within 6 months of the competition, I had acquired 8 new business relationships. I am pleased to report that my services are now promoted on 4 multi-manager platforms and I have a multitude of advisors to work with. I would encourage anyone looking to promote their business to participate in the NAAIM Shark Tank Strategy Competition."

David Moenning – 1st Place Winner – 2018
Chief Investment Officer, Heritage Capital Research

"I entered the Shark Tank for the 2015 competition. I had sold my prior company years earlier but had a non-compete until 2014 when I sold my remaining shares and decided to take my 12-year EVO trading system and track record to the Shark Tank challenge. After placing third, my assets began to grow substantially, even before winning the competition last year. Today our assets primarily through licensing, using just the EVO strategy, have grown to $370m. I have to credit my participation in the Shark Tank for the exposure in getting to this level."

Rich Paul – 1st place winner – 2017
President, Potomac Advisors

New Members from Capital Advisors 360

NAAIM IS PLEASED TO WELCOME TWO FAMILIAR names to our membership. Rob Hanna and Jeff Pietsch have joined NAAIM under Capital Advisors 360. Rob is familiar to many members as a past speaker at our conferences, while Jeff served as a NAAIM board member under a prior firm and was an active part of many NAAIM activities.

As a reminder, NAAIM members are currently in their renewal period. If you have not yet renewed your membership for 2021, please visit your Info Hub account. Click on "Account Balance" on the right of the home screen to make dues payments.

While you are in Info Hub, sign-up for upcoming NAAIM Exchanges … featuring discussion of issues impacting the NAAIM membership. The first Exchange of 2021 focused on Business Planning.

In 2015, I won the NAAIM Founders Award for the white paper "Lumber: Worth Its Weight In Gold."

For years, I've had people asking when I would create a fund around Lumber and Gold as signals for stocks.

I now have.

Consider the ATAC US Rotation ETF (Ticker: RORO) for your portfolio and support a fellow NAAIM member.

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus. A prospectus may be obtained by calling 855-ATACFUND or visiting www.atacfunds.com. Please read the prospectus carefully before you invest.

Investing involves risk including the loss of principal. Because the Adviser determines the exposure for the Fund based on the price movements of gold and lumber, the Fund is exposed to the risk that such assets or their relative price movements fail to accurately predict future performance. For information on the Founders Award visit https://www.naaim.org/programs/founders-award-2020/ Foreside Fund Services, LLC, Distributor.

Accounting for the Invisible Costs

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poor performance. Some invisible costs that negatively impact a portfolio if their advisor isn't careful, include:

Investment Delay – the time it takes to process and an order to a broker for execution, often slowed by manual middle and back-office processes.

Price Appreciation – the potential losses resulting from a security appreciating in value before a buy order is executed.

Market Impact – the effect that large trades may have on the price of a security.

Timing Risk – the significance of the exact time a trade is executed, and the downfall of having a sale go through at a lower price, or a purchase go through at a higher price than initially anticipated, for example not using limit orders

Opportunity Cost – a concept that impacts every step of the investment lifecycle, the overarching impact of not activating on investment opportunities in a timely way, missing out on potential wins for clients.

Especially in periods of high volatility, these transaction costs can rise even further. When thinking about the impact of investment delay and timing risk, consider a scenario where a market order is submitted to buy 100,000 ABC shares at $50 per share, and all shares were executed at $50.25 per share. The total trading cost here would be $25,000 - even a seemingly small change in price can have a significant impact at scale. By simply employing advanced trading technology these orders can be executed instantaneously, effectively saving $25,000 in transaction costs.

When thinking about the other transaction costs that can impact trades, advisors need to be much more proactive in their approach, including leveraging advanced trading methods like order blocking and trading algorithms. Blocking client orders into a single order ensures the same price for all clients. This not only helps to keep prices equitable across client accounts, but it also improves the advisor's operational efficiency, reducing their investment delay and timing risk.

Orders greater than 10,000 shares may add invisible costs due to market impact and price appreciation. Such orders may cause an imbalance on the order book depending on the liquidity of the security. To combat this situation, a trader manually creates smaller child orders, which helps to avoid this market impact. This strategy works well but is time-consuming and requires consistent tracking to ensure efficiency. Another strategy traders employ is leveraging trading algorithms to automatically create child orders based on key parameters. Both approaches are good ways to combat some of the price changes associated with large orders.

Trading is a consistent battle of supply and demand, and how advisors leverage the tools at their disposal is key to securing portfolio success for their clients. Using advanced trading technology platforms enables advisors to efficiently react to the market and seize opportunities as soon as possible, managing the risk of trading. With many advisors still trading with outdated resources, it is critical, especially in today's market, to recognize the risks in not utilizing the right trading technology and strategies. By being cognizant of the invisible transaction costs that negatively impact profitability, and using the technology available to combat those issues, advisors can ultimately deliver better results to clients.

Bradley Kellogg is COO of Fix Flyer (fixflyer.com). Bradley is focused on revenue growth including strategy development and partnerships. Previously, he held positions at Barclays and New York Stock Exchange in electronic trading and worked as a software engineer in the defense industry.

Past Webinar Recordings Available On-Line

OVER THE PAST 10 MONTHS, NAAIM HAS reached out to its membership through online webinars, many featuring speakers who were initially scheduled for the NAAIM 2020 Uncommon Knowledge conference, which was canceled due to the pandemic.

January 2021 featured Canaccord Genuity's Chief Market Strategist, Tony Dwyer, with **Pitfalls, Traps and Opportunities for 2021 – A Look Ahead in the Financial Markets** (approved for 1 hour of CFP® CE credit). Tony is widely respected throughout the financial industry for expert commentary on the practical application of macroeconomic and tactical market indicators, offering evidence-based market insights. His company, DwyerStrategy Institutional Insight Personal Opportunity, can be found at https://dwyerstrategy.canaccordgenuity.com/

Tony's webinar and others are available on the NAAIM website and in Info Hub. Many of the programs are approved for continuing education credits, providing not only new knowledge but assisting advisors with meeting the CE requirements. For more information, visit: www.naaim.org/events/webinars/.

2020 Update on Missing the Best and Worst Days of the S&P 500

THE RISK OF SELLING AND MOVING OUT OF THE stock market often focuses on missing good days and hurting overall returns. However, investors have an equal chance of missing a bad day and increasing returns. Since the best days often follow the worst days, back to back, it is statistically more likely that if an investor missed one, he will miss the other.

Over the past 20+ years, NAAIM member Will Hepburn has kept a running update of the impact of missing the best and worst days of the S&P 500. In the data updated from 1990 through 2020, shown here, the results once again show the importance of reducing losses.

"What happens to an investor's returns if one were to sit out for both the worst days and the best days?" asks Hepburn. "Remarkably, average annual returns become more consistent and may actually increase at the same time. Our study shows that if one were to miss both the 10 worst and 10 best days the resulting average returns are 8.50%. Miss both the 20 worst and best, and annual returns become 8.72% and dodging the 40 worst and best days creates returns of 8.94%. Missing the best and worst days outperforms a buy-and-hold position in the S&P 500 with less risk and less volatility."

The S&P 500 is an unmanaged index of stocks considered representative of the broad stock market. Investors cannot invest directly into an index. Past performance is no guarantee of future results. This data is for illustrative purposes only and is not indicative of the performance of any investment. Data includes reinvestment of dividends.

Raw Data Source: Yahoo!, Inc.

Missing the Market

1/2/1990 Through 12/30/2020

S&P Index Annual Average* 8.44%

Missed # of Days	Missed Best Days	Missed Worst Days	Missed Best & Worst
10	5.47%	11.26%	8.50%
20	3.69%	13.39%	8.72%
30	2.19%	15.19%	8.84%
40	0.85%	16.83%	8.94%

This Study conducted by Will Hepburn, Vice President of Invesment Research Shadowridge Asset Management, LLC
2069 Willow Creek Road, Prescott, AZ 86301
www.ShadowridgeInvest.com
Will@ShadowridgeInvest.com (928) 778-4000

President's Letter – CONTINUED FROM PAGE 1

of the organization and dedicated to making NAAIM the great organization it is. We also greatly appreciated Dina's service as a member of the Board of Directors and the many ideas and opportunities she brought to NAAIM.

We are promoting the Founders Award white paper competition again as well as the NAAIM Active Investing Strategy Competition in 2021. You'll find more information about these programs in the Active Manager.

As difficult as 2020 was for individuals and families, it was a good year for active money managers. NAAIM members really shone. There are some terrific stories about their performance, and the ability of active strategies to navigate the drop in the market and move up over the summer. At the same time, the disconnect between the stock market and everyday life threw many people for a loop. They were often looking for a sounding board and reassurance that their investment manager would react appropriately as things change. That fed a need for more communication.

The theme of increased communication is very much reflected in my own business, especially since we have been unable to see clients in person. We are talking with clients more, mostly over the phone but also through ZOOM meetings. Clients have really appreciated it. As we move back to normality, my goal is to continue the same level of communication that we set in 2020. We have established a new bar for that client engagement; I am excited to see that continue.

Thankfully, my family has not had any health issues, but it has been a challenge with home schooling and providing the kids with balance to give them a good childhood over the past year. Just as with NAAIM, it forced us to venture out and try new things, and to talk and chat with each other more.

It hasn't been an easy year, but it has been a very productive year and a time of needed change in our businesses and our lives. Let's continue to pay it forward in 2021.

Sincerely,

Matt Spangler
NAAIM President

Silver—More Than Just A Precious Metal and Tiffany's

BY LEKS GERLAK, CFA

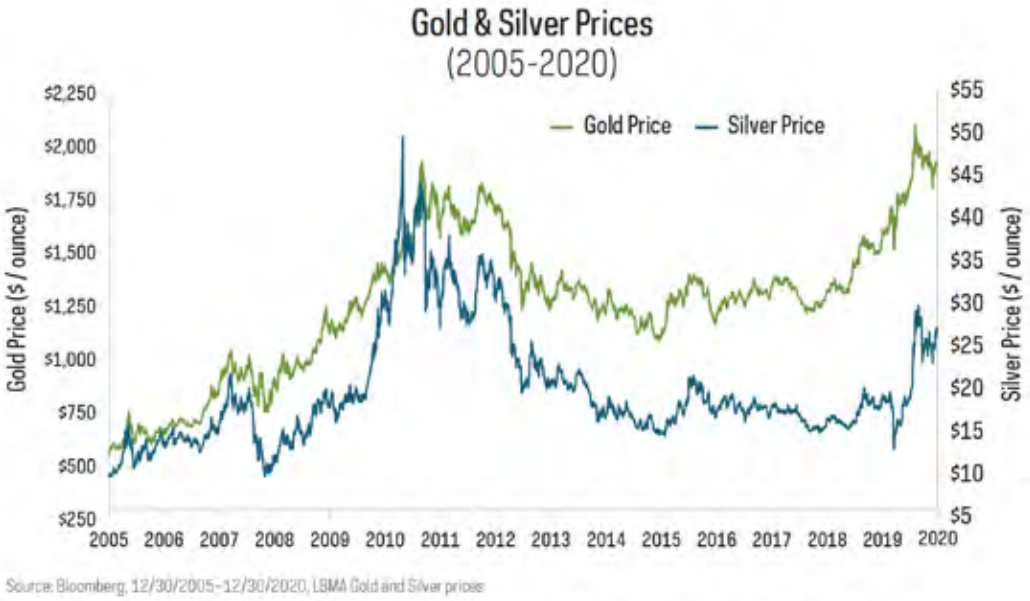
INVESTORS EXPERIENCED AN UNPRECEDENTED market environment in 2020, and like many other asset classes, precious metals—including gold and silver—experienced significant volatility. While gold and silver both declined in March 2020, they sharply recovered and continued to rally, ultimately gaining 22% and 34% for the year, respectively. While gold is often the precious metal that catches investors' attention, its sibling was shining, and some of the reasons are beyond the commonly recognized investment characteristics of precious metals.

Investors often incorporate precious metals like gold and silver into portfolios because of their performance under certain economic conditions—they are traditionally considered safe-haven investments by many investors. They also attract attention when significant monetary or fiscal policy measures are newsworthy. For example, a weak dollar and low interest rates are often conditions supportive of gold and silver. Given the market environment last year and continued global public health issues, it is no surprise that these two metals have caught investors' eyes and experienced strong gains. Looking beyond these common investment traits and characteristics, there's one key difference between gold and silver that may make silver a more appealing investment opportunity.

Silver is very attractive as an industrial metal compared to gold. It is a highly versatile metal, and between 50% and 60% of total silver[1],[2] demand comes from industrial applications, compared to only about 8% for gold.[3] Silver's industrial applications and demand, while it has changed through the years, today includes everything from electronics to medicine to automobiles. For example, once upon a time in the age of film, photography consumed an incredible amount of silver. That demand has nearly vanished since digital cameras came onto the scene. However, silver is now an integral part of growing technologies, such as touch screens, LEDs and, particularly, solar panels.

So how is silver used in solar panels? Photovoltaic (PV) cells—what solar panels are essentially made up of— contain metal that forms an electrical current from captured sunlight, which can then be stored or expended as energy. Because silver has the lowest electrical resistance of any metal at standard temperatures, it is considered the most effective metal when it comes to converting sunlight into energy. In short, for a solar panel to operate most efficiently, silver stands as the metal of choice.

Moreover, silver's role as part of the fast-growing solar industry will likely be a key factor in whatever staying power silver enjoys over the coming decades. According to the Silver Institute, a World Bank study recently forecast that, by 2050, silver consumption in energy technologies alone could reach a level that would equate to more than 50% of current total silver demand. This enormous rate of growth would, among other things, underline silver's importance to an industry that looks set to take flight.



A near-term case for such optimism comes in President Joe Biden's energy proposals. In his campaign's official clean energy plan, Biden pledges to "unleash a clean energy revolution in America" that will "spur the installation of millions of solar panels." While few people need reminding that the roadblocks to a true "energy revolution" will be numerous, the scope of Biden's plan—and the scope of solar panels' inclusion in that plan— constitutes one of the biggest bets on solar energy to date. By extension, it would also support silver having an essential place in the future of our energy economy for decades to come.

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1 Bloomberg, 12/30/2005–12/30/2020, LBMA Gold and Silver prices
2 https://www.silverinstitute.org/silver-market-trends-2019/
3 https://www.silverinstitute.org/global-silver-market-forecast-shine-2020/
4 https://www.gold.org/goldhub/data/gold-supply-and-demand-statistics/

Silver—More Than Just A Precious Metal and Tiffany's

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Historically, silver has been more volatile than gold, and the investors seeking to express tactical views and positions in silver have had a range of investment vehicles to consider, including leveraged and inverse ETFs. These ETFs can be used in an attempt to manage risk and potentially enhance returns. ProShares Ultra Silver (AGQ) has a daily investment objective and is benchmarked to the Bloomberg Silver Subindex℠, which is intended to reflect the performance of silver as measured by the price of COMEX silver futures contracts. It is important to note that the Bloomberg Silver Subindex is a "rolling index," which means that it does not take physical possession of any silver. It reflects the performance of its underlying COMEX silver futures contracts, including the impact of rolling. Investors considering leveraged and inverse funds should take the necessary time to learn about and understand all the associated features and risks. To learn more, please reach out to our Tactical Specialist Team.

The author would like to thank Timothy Bernstein for his contributions to this article.

Leks Gerlak joined ProShares in 2015 as an investment strategist. His responsibilities include portfolio analysis, education, product research and development, and the presentation of investment strategies using the company's leveraged, inverse and volatility ETFs. Prior to joining ProShares, Mr. Gerlak served as an analyst at J.P. Morgan Private Bank, managing money for wealthy families, endowments and foundations. Before that, he served as a fixed income trader with Vanguard where he was responsible for trading corporate bonds and managing Vanguard's fixed income ETFs. Mr. Gerlak earned a bachelor's degree in economics from Haverford College, holds Series 7 and 63 FINRA registrations, and holds the Chartered Financial Analyst (CFA) designation.

IMPORTANT INFORMATION

This is not intended to be investment advice. Any forward-looking statements herein are based on expectations of ProShare Advisors LLC at this time. ProShare Advisors LLC undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investing is currently subject to additional risks and uncertainties related to COVID-19, including economic, market and business conditions; changes in laws or regulations or other actions made by governmental authorities or regulatory bodies; and world economic and political developments.

ProShares Silver ETFs are not investment companies regulated under the Investment Company Act of 1940 and are not afforded its protections. Please read the prospectus carefully before investing.

ProShares Geared (leveraged or inverse) Silver ETFs seek returns that are a multiple of (e.g., 2x or -2x) the return of a benchmark (target) for a single day, as measured from one NAV calculation to the next. Due to the compounding of daily returns, holding periods of greater than one day can result in returns that are significantly different than the target return, and ProShares' returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. These effects may be more pronounced in funds with larger or inverse multiples and in funds with volatile benchmarks. Investors should monitor their holdings as frequently as daily. Investors should consult the prospectus for further details on the calculation of the returns and the risks associated with investing in this product.

Investing involves risk, including the possible loss of principal. ProShares Silver ETFs are non-diversified and entail certain risks, including risk associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. Short ProShares ETFs should lose money when their benchmarks rise. The price of silver is volatile and may be affected by large institutional purchases or sales, indirect investment in gold and silver, industrial usage, and political and economic concerns. Please see their summary and full prospectuses for a more complete description of risks. There is no guarantee any ProShares ETF will achieve its investment objective.

Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing. Separate ProShares Trust II prospectuses are available for Volatility, Commodity and Currency ProShares.

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What Does A Hardening Market Mean for RIAs?

BY CHAD RAMBERG

"We just renewed our coverage, and the best quote our insurance broker could get for us was 50% higher than what we paid last year. Nobody is willing to offer us good coverage. What can we do?"

THIS IS HOW THE CALL STARTED, BUT IT WAS FAR from the end of the road for this advisor. As we dug into the situation together, I found there had been a minor claim that had arisen in the past year, which led to their incumbent carrier declining to make a renewal offer to the firm. And let me say in no uncertain terms—this is a call that we can almost certainly expect to see more frequently in the coming years. Not because advisors are doing anything wrong (if anything, from my perspective, advisors nationally have been at their absolute best in these unprecedent and challenging times), but because volatility has increased. Advisory clients have things overwhelming them from all directions, and overwhelm leads to doubt, frustration, and deteriorating communication.

For those of you that don't know the term, a hardening market is when insurance carriers start to restrict the quality of terms —and affordability— that they have been offering throughout the low volatility regime of the past years. This can come in any number of forms: higher deductibles (retentions), higher outright premium prices, or restrictions on coverage itself. As a specialized insurance broker, it's our job to watch this very carefully. We've been hearing anecdotally from a few underwriters over the past few years that they expect to see the insurance marketplace get harder, but just like calling a top in the stock market, it's an idle forecast until we have the benefit of hindsight when we are well into the next cycle.

This year that forecast has definitively come true. The explanations for this are going to vary depending on who you ask. A generalist insurance broker will point to the obvious—pandemics, natural disasters, and geopolitical conflict. In other insurance markets, we sometimes see a spillover effect on premiums as carriers look wherever they can to solidify their balance sheet. The question for an advisor, then, becomes: why should my terms change? That is a simple and valid question that can bring us down one of many rabbit holes. The short answer is that we live in an interconnected world. Stress in one area can bleed into other arenas as the pendulum swings between "risk on" and risk off." Insurance carriers by their foundational nature are focused on the rule of large numbers. This means they are always evaluating and estimating potential outcomes in advance of them occurring.

I'll cut to the chase: here is what you can do to make sure you are getting the best support in a hardening insurance market. It's a self-serving answer, but it's unequivocally the right one: make sure you are working with a specialist who knows your industry as well as you do. It's vitally important that they focus on your distinct, complex and involving space. If you have to explain to an insurance broker the difference between an IAR and an RR, or help them understand what fiduciary risk is, you are in the wrong place—and being in the right place with your risks has never mattered more.

I bet you want to know what happened with the advisor that called us at the beginning of this post. We went to market and advocated on their behalf with several alternative underwriters. We secured multiple offers. We ultimately were able to place them with a stronger carrier, at a price point 25% below the offer they currently had on the table. It looks like magic, but it's not: the simple truth is that we can get these results because it is all we do, every day. We were doing it when markets were tranquil. We did it while markets were highly turbulent. And we'll be doing it through whatever form the next cycle takes.

Chad Ramberg is President of Box Professional Insurance. Chad spent the first decades of his career in leadership positions on the claims side of insurance services. When that season of his career was wrapping up, he decided to use his financial acumen to become a Registered Investment Advisor. He worked as an advisor just long enough to gain a healthy respect for the day-to-day challenges RIAs face every day. Shifting gears a bit, Chad became an insurance advisor to advisors. "Many RIAs struggle to find an insurance broker who understands their business. We serve RIAs exclusively. With our expertise, RIAs get the business coverage they need, so they have the peace of mind they want."
www.BoxProInsurance.com

FOUNDERS AWARD

FOR ADVANCES IN ACTIVE INVESTMENT MANAGEMENT

Competition Rules

The National Association of Active Investment Managers (NAAIM) sponsors the Founders Award annually to seek out papers of academic quality that cover an innovative topic in the area of active investing. The following rules govern the submission, judging, ownership and awarding of the papers.

1. All decisions of the NAAIM Founders Award committee are final. Any occurrence that arises that is not covered in these rules will be adjudicated by the committee.
2. Papers will be judged by a panel selected by the NAAIM Founders Award committee. The prime criteria used in judging the papers are:
   1. Practical significance to practitioners of active investing
   2. Quality of exposition
   3. Analytical rigor
   4. Novelty of results
3. Papers should be submitted electronically in PDF format to info@naaim.org and the subject line should indicate "2021 Paper Submission." Please submit TWO copies of the paper: 1) Anonymous–with no reference of the author(s)' name or their affiliation with a company or university; 2) The paper should include the author(s) and affiliation with a company or university.
4. Papers must be 30 pages or less and include a separate required 750–1000 word abstract within the paper. Papers must be numbered, double-spaced, with a minimum font size of 14, and filed prior to the deadline. Papers failing to adhere to these requirements are subject to disqualification.
5. By virtue of submission, the author certifies that the manuscript is not copyrighted, consents to NAAIM's non-exclusive use of the paper and abstract, and agrees to be bound by the rules set forth herein. NAAIM will request approval of the author prior to any publication of the paper.
6. Delivery of papers to NAAIM is the sole responsibility of the participants. Therefore, it is encouraged that they complete an "Intent to Submit" form that will allow NAAIM to contact them, if needed.

   NAAIM will attempt to do so if the situation arises, such as a change to the competition, clarification of the rules, in the event that their paper does not arrive by the deadline at NAAIM headquarters to the specified email address, etc. An email confirmation of receipt of the paper will be sent by NAAIM within three days of submission. It is the author's responsibility to contact NAAIM at info@naaim.org prior to Monday, March 15, 2021, in the event a confirmation is not received by the author in the 3-day time period.
7. Papers are due at NAAIM on or before midnight on Monday, March 15, 2021.
8. The winning paper will be announced prior to the NAAIM 2021 Uncommon Knowledge conference (date to be determined).
9. The author of the winning paper will win a $5,000 Cash Prize and the opportunity to present at the annual NAAIM conference. Domestic coach airfare, one night of lodging and conference registration is included for one author per winning paper only.

FOUNDERS AWARD

FOR ADVANCES IN ACTIVE INVESTMENT MANAGEMENT

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Please submit your intent by Monday, Feb. 1, 2021

☐ **Please place me on the list to participate in the FOUNDERS AWARD Competition**

The following information will only be used for the purpose of contacting participants with reminders or information about the contest. If more than one author, please include additional author(s)' names and emails, as well.

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How did you hear about the NAAIM Founders Award?

- ☐ Previous Competitor/Winner
- ☐ NAAIM Email/NAAIM News
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- ☐ NAAIM Event
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Download or print this document. Complete the form on page 3 and then submit it to **NAAIM.** You can submit via:

Email: info@naaim.org (preferred)
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Mail: NAAIM, 6732 W. Coal Mine Ave., Ste 446
Littleton, CO 80123

Please call 888-261-0787 with any questions.

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