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## Uncommon Knowledge 2024 Kicks Off Sunday, April 28

**O**PENING EVENTS AT UNCOMMON KNOWLEDGE 2024 include the Sunday Solo Advisors Meeting, the NAAIM Golf Classic and an evening welcome party. On Monday, it's down to work as three days of presentations geared to the needs of the active investment manager unfold. As with every NAAIM event, time for networking is a priority. Sponsor room breaks, luncheons and evening events are your opportunity to build relationships with fellow members, relationships which can change the future of your business.

Meet featured NAAIM speakers on page 2, discover the UK sponsor firms that offer products specifically for the active manager on page 4 and through their ads appearing in this *Active Manager* issue, and review the final agenda on pages 3 & 5. Don't forget to take a moment to read this issue's articles – directed to the interests of active investment managers.



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The views and opinions of the authors are not necessarily those of NAAIM, its officers or Board of Directors.

## President's Letter



Ryan Redfern

**I**N A FEW WEEKS, A NEW FACE will appear as NAAIM President while I move to the advisory position as Chairman. Before I go, I want to say how very fortunate I have been to serve as NAAIM president the last two years. NAAIM is an amazing group of people. I really appreciate how very dedicated those involved with the organization are.

When things need to get done, the answer has always been, “Yep, let’s do it.”

Over the last few years, there have been a lot of tasks to rebuild NAAIM after the pandemic. From restoring conference attendance to bringing in new members, expanding our social media presence, launching new online events, putting new programs in place to involve members and so much more, NAAIM members have stepped up and done an incredible job. And we’ve had a lot of fun in the process.

The next opportunity for everyone to meet, learn and laugh is coming up in two weeks - the 2024 Uncommon Knowledge Conference in Orlando, Florida, April 28-May 1. There’s still time to come if you have not already made your reservations. The 2024 Conference is focused on what we do as a group, i.e. manage successful active investment strategies for our clients. You’ll find great speakers, but also lots of sessions with members airing their best practice ideas to make it a helpful and collaborative experience, rather than just listening to speakers talking about what they do.

I’ll be leading my favorite event of the conference – The Solo Advisor Meeting on Sunday afternoon. And no, you don’t have to be a solo advisor to attend, but the focus is on the small advisory firm. It’s typically a small group that really delves into every aspect of running an RIA – compliance, custodians, trading, technology. What’s good and what’s bad. What should attendees update or fix. If you are running your own business, the Solo Advisors Meeting provides you with a checklist of things you need to do. It’s a shortcut or hack to good management and a successful business.

If you are looking for ways to become more involved in NAAIM beyond the conference, consider being a guest on our weekly 30-minute podcast, *NAAIM Confidential*. Fourteen *NAAIM Confidential* podcast interviews have been released so far and are available on the NAAIM YouTube channel ([youtube.com/@naaimofficial](https://youtube.com/@naaimofficial)). That leaves 35+ guest spots available for 2024. If you are interested in participating, contact Susan Truesdale ([info@NAAIM.org](mailto:info@NAAIM.org)) and ask to be added to the guest list.

*NAAIM Confidential* has been a lot of fun to create, with great guests. The podcasts also provide content that we post

*continued on page 13*



## Featured 2024 Speakers



**Dean Christians, CMT**  
Senior Research Analyst,  
SentimenTrader.com  
**TOPIC: Data Mining**



**Charles Stucke**  
Adjunct Lecturer,  
Washington University  
in St. Louis  
Chief Investment Officer,  
SIMCO



**Matt Hougan**  
Chief Investment Officer,  
Bitwise Asset Management  
**TOPIC: Crypto is the  
Future**



**James McQuiggan**  
Security Awareness Advocate  
KnowBe4.com  
**TOPIC: Cybersecurity  
Awareness**



**Anthony Lombardi**  
Managing Director,  
Layton Road Group  
**TOPIC: Big Picture of  
Institutional Marketing**



**Thomas D. Giacheti**  
Stark & Stark  
Attorneys at Law  
**TOPIC: How to Navigate  
a Regulatory Exam and  
Avoid/Address Client  
Complaints**



**Ann Brennan**  
Owner, ASMM Digital  
Marketing  
**TOPIC: How to Use  
ChatGPT to Create A  
Strategic Marketing Plan**



**Lawrence G. McMillan**  
President, McMillan  
Analysis Corporation  
**TOPIC: Zero Day to  
Expiration (ODTE) Options**

## Larry McMillan Joins the UK Speaker Line Up



Professional trader Lawrence G. McMillan joins the 2024 UK Speakers with an options strategy presentation - Zero Day to Expiration (ODTE) Options. ODTE options on the S&P 500 index (including SPY options) have exploded in volume over the past few years. This seminar will strive to answer the following questions:

- How do these options behave, in comparison to longer-term options?
- Are these options having an effect on the markets, in terms of either direction or volatility?
- How can they be valued for trading purposes?

He will also speak on understanding the CBOE's 1-day Volatility Index (VIX1D); incorporating True Range into the analysis for valuing ODTE options, and analyzing what strategies are best: Buying or selling directionally or neutrally on the day of expiration or at the close of the day before expiration?

Larry McMillan is perhaps best known as the author of Options as a Strategic Investment, the best-selling work on stock and index options strategies, which has sold over 300,000 copies. An active trader of his own account, he also manages option-oriented accounts for certain individuals. In a research capacity, he edits and contributes to his firm's publications: *Daily Volume Alerts*, *The Option Strategist* and *The Daily Strategist* – derivative products newsletters covering equity, index, and futures options. In 2011, he received the prestigious Sullivan Award in recognition on behalf of his outstanding contributions to the growth and integrity of the U.S. options markets.

# AGENDA

## Uncommon Knowledge 2024

### Sunday, April 28

4:00 – 6:00 PM Solo Advisor Meeting – Ryan Redfern  
 10:00 AM Golf Tournament – Rosen Shingle Creek Golf Course (tee-off 11:30 AM)  
 7:00 PM NAAIM Welcome Party

### Monday, April 29

7:00 – 8:30 AM NAAIM Board Meeting  
 7:30 – 8:30 AM New Member Welcome Orientation & Breakfast  
 7:30 AM Registration | Sponsor Hall Opens – Continental Breakfast  
 8:30 AM Welcome – Ryan Redfern, NAAIM President  
 8:45 – 9:45 AM **2025 and 2030 -- Today's Opportunities for Active Management** - Charles Stucke, Washington University in St. Louis, MO  
 9:45 – 10:45 AM **How to Use ChatGPT To Create A Strategic Marketing Plan** - Ann Brennan, Consultant, ASMM Digital Marketing – AI Marketing  
 10:45 – 11:15 AM Refreshment Break – Sponsor Hall  
 11:15 – 12:15 PM **Spotting Stock Market Peaks through the Lens of Market Breadth Indicators**- Dean Christians, CMT, Senior Research Analyst, SentimenTrader.com  
 12:15– 1:30 PM Lunch and Sponsor Introductions  
 1:30 – 2:30 PM **How to Navigate a Regulatory Exam and Avoid/Address Client Complaints in an Ever-Increasing Aggressive Regulatory Environment** - Thomas Giachetti, Esq., Stark & Stark Attorneys at Law  
 2:30– 3:45 PM **The ABC's of Cyber Security Awareness** - James McQuiggan, Security Awareness Advocate, knowbe4.com  
 3:45 – 4:15 PM Refreshment Break – Sponsor Hall  
 4:15 – 5:15 PM **NAAIM Exchange Live!** Experience our monthly get togethers live. Bring a chart or favorite indicator to share in this session - Moderators: Barry Arnold and Ryan Redfern.  
 5:15 – 5:45 PM Break before evening event  
 6:00 – 9:00 PM **Platinum Sponsor Hosted Event** – Sharks Underwater Grill, SeaWorld (only Platinum Sponsors are permitted to attend)

### Tuesday, April 30

7:30 – 8:30 AM Continental Breakfast – Sponsor Hall  
 8:30 - 9:30 AM **Bitcoin, Your Portfolio, and the Future of Finance** - Matt Hougan, Chief Investment Officer, Bitwise Asset Management  
 9:30 – 10:45 AM **Abrupt - Speaking to Institutional Investors** - Tony Lombardi, Managing Director, Layton Road Group, LLC  
 10:45 – 11:15 AM Refreshment Break – Sponsor Hall  
 11:15– 12:15 PM **Zero Day to Expiration (ODTE) Options** - Larry McMillan, Founder, Mcmillan Analysis Corp.– Larry McMillan, Founder, McMillan Analysis Corp.  
 12:15– 1:45 PM Lunch / Annual membership meeting  
 1:45 – 3:00 PM **The Million Dollar Blueprint: A Proven Method to Growing a 7-Figure Firm** – Adam Koos, President, Libertas Wealth Management  
 3:00 – 3:45 PM **Break Outs (concurrent sessions)**  
 a. **Exploring Alternative Strategy ETFs and Cutting-Edge Trading Tools** – Michael Eschmann, Managing Director, REX Shares  
 b. **Efficient Expression of Risk, the High Yield Opportunity** – David Selbovitz, Head of Portfolio Strategy & Analytics, MassMutual Wealth Management

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**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. Obtain ProShares ETF prospectuses from your financial professional or by visiting [ProShares.com](http://ProShares.com).**

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# Uncommon Knowledge 2024 Agenda

CONTINUED FROM PAGE 3

3:45 – 4:15 PM  
4:15 – 5:45 PM

Refreshment Break – Sponsor Hall  
**NAAIM Round Tables (Two 40-minute segments). Topics include:**  
1-A. Traditional Marketing | 1-B. Digital Marketing  
2-A. Quantitative & Technical Trading | 2-B. Crypto Currency Trading  
3-A. Financial Planning & Practice | 3-B. Custodians

6:30 – 9:00 PM

**NAAIM All Conference Event at Shingle Creek**

## **Wednesday, May 1**

7:30 – 8:30 AM  
8:30 - 9:30 AM  
9:30 – 10:30 AM

Continental Breakfast – Sponsor Hall  
**Founders Award Winner – Shares winning paper: TBA**  
**My top 3 tips for financial planning from advisors who have successfully worked it into their practice:** Laura Redfern and Greg Corneille

10:30 – 11:00 AM  
11:00 – 12:00 PM

Refreshment Break – Sponsor Hall  
**Trading Techniques Revealed** – NAAIM Member Panel: Whitney Ribbens, Chicago Wealth Management, Inc.; David Morton, Global View Capital Management; Christian Ramsey, QRIA Inc.; and Bo Bills, Bills Asset Management. Moderator: Matt Spangler, Signal Research Group, LLC

12:00 – 1:00 PM  
1:00 PM

**Closing Lunch**  
**Conference Ends**

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# Unveiling the Volume Factor: Revolutionizing Investment Management

BY BUFF DORMEIER, CMT

**I**N THE DYNAMIC REALM OF INVESTMENT MANAGEMENT, where artificial intelligence and cryptocurrency have captured recent attention, a realm of compelling topics awaits exploration. Vailed underneath this landscape lies a potentially groundbreaking development: the Volume Factor intellectual property, heralding precise tracking of capital flows within actively managed indexes.

While market volume holds pivotal importance in investment realms, it remains widely misunderstood by the public. Financial analysts often overlook volume, while technical analysts underutilize its potential. Yet, volume can offer crucial insights, both in leading price and interpreting price's significance by revealing the forces of supply and demand. When uncovered and applied correctly, this information could very well be the most prominent factor in price discovery to date.

**Volume is not merely data; nor just a leading indicator, it is a factor.** And not just any factor, but the factor that “rules them all” as capital flows determines which factors are in vogue. The gold standard of factor investing is the Fama French Model. The Fama French model theorizes a factor must have a p-value (null hypothesis) of 0.05 or less. Many of the widely accepted factors of size, value, and volatility struggle to meet this mark. The stronger factors such as quality and momentum tend to show stronger p-values of near 0.01. In volume 22 of *The Journal of Accounting Business and Economics* (JABE 2022). Dr. Matthew Lutey tested specific aspects of the Volume Factor within the Fama French Model. His 20-decade study found the Volume Factor to yield a p-value of 0.0001. In other words, the Volume Factor was a hundred times stronger than the strongest factors, crowning volume as the monarch of factor investing.

Infusing the Volume Factor within a tactical portfolio management is a pioneering approach that not only leverages volume analysis as a performance driver but also as a risk mitigation tool. Far from adhering to conventional modern portfolio theory, the Volume Factor acts as a pivotal bridge between goals-based planning and technical analysis, facilitated through the lens of tactical asset management. Integrated into an investment model, the Volume Factor aims to capitalize on market trends when they are favorable and adopt a defensive stance during downturns.

## Volume Factor Offense

Momentum analysis focused solely on price velocity overlooks a crucial element. Taking this missing element into account, the exploration of Volume Factor Momentum comprehensively enriches our understanding of volume's pivotal but largely untapped role in momentum analysis. Volume Factor theory challenges conventional momentum analysis by asserting that Newton's laws of motion apply not only to physical phenomena but also within market mechanics. According to this theory, volume may play a crucial role as the force or “the cause” behind price change. It suggests that price acceleration is driven through changes in volume, and the delta between

price and volume may reveal an asymmetry inherent in the momentum of price and volume.

## Volume Factor Defense

A Volume Factor Risk Overlay strives to achieve the dual objectives of delivering excess returns throughout bull market cycles while attempting to preserve capital during cyclical bear markets. The Volume Factor Risk Overlay employs Capital-Weighted Volume and Capital-Weighted Dollar Volume to determine the equity exposure in a portfolio. Capital-Weighted Volume repairs index volume tallies to their proportional index weights, harmonizing price and volume index data. Capital-Weighted Dollar Volume is a precise measurement of how much capital is flowing into and out of an index. This intellectual property tracks capital flows in and out of the S&P 500 to the dollar providing potential protection against market downturns through following these leading trends. By going beyond the benefits of modern portfolio theory, these tactical asset adjustments based on the capital flows in the broad market provide asset managers with a tactical risk mitigation framework.

## Volume Factor Special Teams

Often the strongest phase of a bull market is its birth. Yet, trend-following systems almost by definition miss out on this most powerful stage. Recognizing the importance of participating in swift market transitions, VPCI (Volume Price Confirmation Indicator) V & W bottom capitulation signals aspire to forecast major market bottoms with precision. These capitulation points are identified through major extremes in price-volume asymmetry. My whitepaper “*The Volume Factor*” explains the Volume Factor Risk Overlay and Special Teams Units while the “*Volume Factor Momentum*” decodes volume within momentum analysis. Both are available to NAAIM members upon request @ [info@buffdormeier.com](mailto:info@buffdormeier.com)

The advent of the Volume Factor marks a paradigm shift in investment management, offering a holistic approach that melds volume analysis with traditional strategies. As investors navigate today's market complexities, harnessing volume's power may unlock new opportunities. These innovative volume-driven factor strategies aim to provide novel portfolio approaches, mitigating risk during bear markets while maximizing returns during bullish phases. By integrating advanced volume analytics, the Volume Factor introduces a fresh perspective, capitalizing on momentum guided by volume and validated through capital flows. The recent accessibility of Volume Factor research represents a cutting-edge tool fostering successful outcomes in goals-based portfolios.

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*Buff Dormeier, CMT serves as Kingsview Wealth Management's Chief Technical Analyst. A foremost expert in volume analysis and an award-winning innovator, Buff is the recipient of the 2007 Charles H. Dow Award, 2012's Technical Analysis Book-of-the-Year, 2024's American Society of Business and Behavioral Science's Best-Paper Award, and a sought-after speaker.*

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# Investment Advisers in the Age of Artificial Intelligence

BY THOMAS KELLERMAN

**A**S WE PROGRESS THROUGH THE ERA OF AN increasingly aggressive regulatory environment, investment advisers and financial planners should all be aware of the implications of using or marketing artificial intelligence (“AI”) products.

The Securities and Exchange Commission proposed rules in July 2023 regarding investment advisers’ use of AI. The July rules would prohibit investment advisers from using AI in a manner that creates a conflict of interest between the firm and its client. Specifically, investment advisers would need to adopt policies and procedures regarding their use of AI. Advisers would also need to comply with recordkeeping requirements consisting of times the technology was implemented or materially changed. Likewise, advisers would need to keep records of the frequency they tested the AI and when conflicts of interests were identified.

These proposed rules do not come as a surprise. SEC Chairman Gensler has made publicly known the risks he believes are inherent in AI to investors and the financial system. He sees the potential bias and unpredictability of AI as particularly threatening. Advisers using AI for models may be getting information that looks after the firm’s interests over that of the clients. This concern is echoed in the aforementioned rules. It is certainly unknown how AI software is reaching conclusions at this time, and advisers are only beginning to see the results.

As we await finalization of the new AI rules, the SEC announced settled charges against two SEC registered investment advisers for making false and misleading statements about their purported use of artificial intelligence. The firms agreed to settle the SEC’s charges and pay \$400,000 in total civil penalties. One firm’s charges arose from four years of using misleading statements pertaining to its use of AI in its SEC filings, press releases, and website. They claimed to have used AI to generate an advantage in their investment process, but they did not have such resources. Additionally, these statements were deemed a violation of the marketing rule. The

second firm was also found to have violated the marketing rule and its AI misconducts were born from using the term “expert AI driven forecasts.”

In practice, many investment advisers have been asking us how to use virtual client meeting software that creates transcripts of what is said while in a meeting. Every registered investment adviser is required to keep true, accurate and current books and records. The appropriate approach at this juncture would be to adopt these AI transcripts into the firm’s books and records. Once translated into written form, the SEC could consider the transcripts and summaries to be written communications regarding investment advice. Such transcripts and summaries should be kept in their original form, together with notes (if any) as to any corresponding inaccuracies produced by the AI content. The firm is a fiduciary and should not utilize any information in conjunction with providing client services or communications that it does not reasonably believe is accurate. Thus, if the firm was to use incorrect content of AI transcripts or summaries in conjunction with client services or communications, the onus would remain with the firm to demonstrate as to how it reasonably relied upon the content. If the issue is raised, something more than just accepting the content “as is” will need to be demonstrated by the firm to show that their reliance was reasonable. It is inconsequential whether these transcripts and summaries make it into your firm CRM software or are maintained in the virtual meeting software.

Before using or marketing AI, advisers should consult legal counsel.

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*Thomas Kellerman is an Associate Attorney at Stark & Stark providing legal counsel to financial service entities including investment advisers, broker-dealers, public and private investment companies (e.g., mutual funds, hedge funds, etc.), insurance brokers/agents, CPA firms and their employees. He helps clients with issues pertaining to registration, compliance, and liability issues.*

**SAVE THE DATE**  
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MassMutual Investments combines fundamental research with quantitative analysis – spanning a broad range of asset classes and investment styles to uncover alpha-generating strategies that deliver on the needs of today's investors.



## Our investment philosophy and approach:



### 1 START WITH INVESTOR GOALS

We listen to investors and provide solutions based on their challenges and needs.



### 2 SELECT STRATEGIES

We apply our differentiated thinking and approach to select managers and strategies that can help deliver on investors' goals.



### 3 CONDUCT ONGOING OVERSIGHT

Our portfolio oversight focuses on drivers of risk and return – and on providing insights into how those drivers can affect clients' investing goals.

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Please visit our website that details the depth of our bond fund offerings: [www.MassMutual.com/mmfundsfund-screener/barings](http://www.MassMutual.com/mmfundsfund-screener/barings)

<sup>1</sup> Barings LLC is a wholly-owned subsidiary of Massachusetts Mutual Life insurance Company.

MassMutual Investments is the marketing name for certain products and/or services of MassMutual and its affiliates, including MML Investment Advisers, LLC (MML Advisers). Investment advisory services of MassMutual Investments are provided exclusively by MML Advisers.

# The Wisdom of Crowds and What Happens Now?

BY JIM LEE, CFA, CMT, CFP

**I**MAGINE THAT YOU HAVE A LARGE JAR FULL OF jellybeans in front of you. How can you estimate the number of jellybeans inside without opening the jar?

A simple but effective approach to this problem is to invite all your friends to look at the jar and take the average of their predictions. The results are often surprisingly on target.

When this experiment was done at the Columbia business school, the collective group forecast was more accurate than 97% of the individual participants!

This unexpected outcome was the subject of two popular books, Superforecasting: The Art and Science of Prediction by Philip Tetlock and Dan Gardner and The Wisdom of Crowds by James Surowiecki.

Using the same approach, the Good Judgment Project partnered with *The Economist* magazine and created The World Ahead contest to predict a range of political, economic, and cultural events. Thousands of volunteers are surveyed to share their opinions each year. Over time, the

collective wisdom of these surveys has outperformed some of the best-known pundits.

This competition has become a weekend obsession for me. Earlier this year, I threw my hat in the ring to see if I could qualify as a Superforecaster by estimating the outcomes of 25 unrelated events, ranging from political elections in South Africa to the winner of the Cricket World Cup and the price of uranium. Challenging stuff.

The website is a fascinating source of forecasts on questions that people often ask me.

Here some examples of how current news items are likely to play out, according to the Good Judgment Project:

Will Donald Trump be reelected as president of the US in 2024?

47.82% Yes

52.18% No

[https://www.gjopen.com/questions/2851-will-donald-trump-be-reelected-as-president-of-the-us-in-2024/crowd\\_forecast](https://www.gjopen.com/questions/2851-will-donald-trump-be-reelected-as-president-of-the-us-in-2024/crowd_forecast)

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SEAN MCCOLLIVRAY  
CEO, KINGSDOWN WEALTH MANAGEMENT

**GUGGENHEIM**

## **The Surprising Truth About Mutual Fund vs. ETF Ownership Costs**

Explore all the costs that should be taken into consideration when making an informed choice between ETFs and no-transaction-fee (NTF) mutual funds for active trading strategies with Rydex Funds' white paper, *"A Comparison of ETFs and Mutual Funds—The True Cost of Investing."*

With cost comparison examples of NTF mutual funds vs. ETFs for multiple trading frequency strategies, this informative white paper enables you to discuss cost differences with clients and showcase why ETFs may not be the less expensive choice for active trading strategies.

**Request your free copy.**

**Contact Mike Bielski at 773 326 9616 or  
Mike.Bielski@guggenheiminvestments.com.**

*Read a fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives, risks, charges, expenses, and other information which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at [GuggenheimInvestments.com](http://GuggenheimInvestments.com).*

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# NAAIM Confidential: Your Weekly Gateway to Insights and Expertise

**H**AVE YOU HEARD? NAAIM HAS BEEN BUZZING with activity since the beginning of the year, and we're excited to share some thrilling updates with you!

In January, we embarked on an exhilarating journey by launching **NAAIM Confidential**, a weekly Live Stream Podcast! Every Friday at 4:30 PM ET, we showcase the brilliance and talent within our membership and beyond. As we bring together the finest minds in the industry, we delve deep into discussions spanning the NAAIM Exposure Index, unraveling the mysteries of market behavior, and so much more.

Since the inception of **NAAIM Confidential**, we've already produced a whopping 14 captivating episodes, all available for your viewing pleasure on our YouTube channel @ **naaimofficial**. Thank you to members Branden DuCharme, Ryan Redfern, Ben Fox, and Asher Rogovy for generously dedicating their time to conduct insightful interviews with our diverse and thought-provoking members.

But wait...there's more! While we ensure that each segment is meticulously recorded in its entirety, we understand the value of brevity. That's why we're also crafting bite-sized snippets from each interview, tailor-made for your consumption. Catch these nuggets of wisdom on our YouTube,

LinkedIn, and Facebook accounts – it's knowledge served fresh and convenient!

If you haven't already joined the conversation, now's the perfect time to do so! Follow NAAIM on X, join our LinkedIn Business Page, or become a part of our vibrant Facebook group. It's not just about staying informed; it's about connecting with a community of like-minded individuals, sharing insights, and fostering growth together.

Look for an invite to participate as a guest on NAAIM Confidential! OR, contact us if you would like to be a guest on a future episode.

In the meantime, follow and like us on:

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- Facebook NAAIM Group: <https://www.facebook.com/groups/567938514901831>
- X: [https://x.com/NAAIM\\_official](https://x.com/NAAIM_official)
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- or search: @naaimofficial

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## The Wisdom of Crowds and What Happens Now?

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When will Russia and Ukraine sign or announce an agreement to end the current conflict in Ukraine?

- 0.46% Before March 1st 2024
- 3.31% Between March 1st and June 15th 2024
- 9.42% Between June 16th and Sept 30th 2024
- 86.81% Not Before October 1st 2024

[https://www.gjopen.com/questions/3114-when-will-russia-and-ukraine-sign-or-announce-an-agreement-to-end-the-current-conflict-in-ukraine/crowd\\_forecast](https://www.gjopen.com/questions/3114-when-will-russia-and-ukraine-sign-or-announce-an-agreement-to-end-the-current-conflict-in-ukraine/crowd_forecast)

Will there be a lethal confrontation between the national military forces, militia, and/or law enforcement personnel of Taiwan and the People's Republic of China (PRC) before October 1st, 2024?

- 9.06% Yes
- 90.94% No

[https://www.gjopen.com/questions/3052-will-there-be-a-lethal-confrontation-between-the-national-military-forces-militia-and-or-law-enforcement-personnel-of-taiwan-and-the-peoples-republic-of-china-prc-before-1-october-2024/crowd\\_forecast](https://www.gjopen.com/questions/3052-will-there-be-a-lethal-confrontation-between-the-national-military-forces-militia-and-or-law-enforcement-personnel-of-taiwan-and-the-peoples-republic-of-china-prc-before-1-october-2024/crowd_forecast)

Will any of the 50 largest commercial banks in the U.S. fail in 2024?

[https://www.gjopen.com/forecaster/Jameshlee/forecasts?sort=](https://www.gjopen.com/forecaster/Jameshlee/forecasts?sort=ending_soon)

ending\_soon

27.90% Yes

72.10% No

[https://www.gjopen.com/questions/3188-will-any-of-the-50-largest-commercial-banks-in-the-us-fail-in-2024/crowd\\_forecast](https://www.gjopen.com/questions/3188-will-any-of-the-50-largest-commercial-banks-in-the-us-fail-in-2024/crowd_forecast)

Forecasts on the Good Judgment Project are updated regularly — the estimates you see now are likely to change over the coming weeks and months.

After decades of investing, I've learned that there is real value in building a track record and learning from it. Sometimes it is a humbling experience.

If you'd like to see a few of my own recent forecasts (and best guesses), [click here](https://www.gjopen.com/forecaster/Jameshlee/forecasts?sort=ending_soon). ([https://www.gjopen.com/forecaster/Jameshlee/forecasts?sort=ending\\_soon](https://www.gjopen.com/forecaster/Jameshlee/forecasts?sort=ending_soon))

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*Jim Lee, CFA, CMT, CFP  
Founder, StratFI*

## President's Letter

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on social media to demonstrate the different facets and ways to actively manage money. One response I often get when I tell people I am an active manager is "Oh, you guys just trade all the time." *NAAIM Confidential* is one way to debunk that perception and demystify active management. Check out the interviews on YouTube and start thinking about your interview.

Uncommon Knowledge 2024 will also host the reveal of a long-overdue, updated NAAIM website. Visit [naaim.org](http://naaim.org) in May to see the new site and learn even more about NAAIM and its programs. There will also be an updated list of Board members you can contact with your ideas. Don't hesitate to get involved in areas that interest you. There's a huge payback for your time in knowledge and friendship.

Let me close by thanking the NAAIM membership, board, committee participants, our sponsors, and people like Susan Truesdale and everyone else behind the scenes who make our events and activities possible. I really appreciate everything everyone does to make this a great community. I hope I have helped make it better through my involvement.

It looks like another good year for active management with lots of nervous investors. Here's wishing you many new clients and favorable trading winds! See you in Orlando.

Sincerely,



Ryan Redfern  
NAAIM President

## New Member Welcomes

### New Regular & Special Members

**Jim Bernstein**  
QEX Asset Management  
Bayville, NJ  
Phone: (609) 933-4247

**Nathan Bremer**  
Eighth Wonder Investments  
Fargo, ND  
Phone: (218) 790-4813

**Leigh Eichel**  
Alpha Vee Solutions  
Amherst, NH  
Phone: (617) 212-8691

**Kirk Hemingway**  
Scarecrow Trading  
Hudson, CO  
Phone: (303) 870-3923

**Chad Karnes**  
Absolute Strategies LLC  
Austin, TX  
Phone: (678) 451-7927

**Glenn Stears**  
360 Blue Financial Strategies  
Western Springs, IL  
Phone: (708) 650-1217

**Vivek Verma**  
AQS Management, LLC  
Brooklyn, NY  
Phone: (412) 901-7503



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# The Intellectual Void

BY GREG MORRIS

*This is an article I wrote a few years ago and I think is worth repeating.*

I'M ALWAYS TRYING TO COME UP WITH NEW IDEAS for articles and don't mind if I cross the line a little bit even if it offends a few – I just don't want to offend everyone; certainly not all at once. This one is going to do just that – I think. My articles are rarely about current market action and more focused on the many lessons I have paid dearly for over the last 45 years. I often say that I have multiple Master's Degrees in what not to do.

*"You don't need a weatherman to know which way the wind blows."* Bob Dylan

I vividly recall reading many newsletters back in the 1970s and 1980s. I wanted to know what the experts thought. Why did I do that? I think it was because I did not have the confidence in my own analysis and wanted support from a purported expert. In hindsight, I realize that believing there were experts was the problem. It is almost a circular issue, you want to believe a forecast, but you don't know who to believe. So, let me state upfront this:

*"I honestly do not believe anyone knows what the market will do tomorrow, this week, next month, next year, or any time in the future."* Greg Morris

I have to add to the above by stating that many will say they can, however, I doubt any would bet their life on it. And that is the difference, in today's constant media parade of experts, pundits, television personalities, there are no significant consequences for making a wrong forecast. Let me share a story; one that I have shared before. Nobel Prize-winning economist Kenneth Arrow has his own perspective on forecasting. During World War II, he served as a weather officer in the U.S. Army Air Corps and worked with individuals who were charged with the particularly difficult task of producing month-ahead weather forecasts. As Arrow and his team reviewed these predictions, they confirmed statistically what you and I might just as easily have guessed: The Corps' weather forecasts were no more accurate than random rolls of a die. Understandably, the forecasters asked to be relieved of this seemingly futile duty. Arrow's recollection of his superiors' response was priceless: "The commanding general is well aware that the forecasts are no good. However, he needs them for planning purposes." Peter Bernstein, *Against the Gods*, page 203.

Because of human frailties, I do believe predictions and forecasts are somewhat necessary. What comfort it is to an investor to be on the same side as someone who has made a few successful predictions. This is not unrelated to the confirmation heuristic mentioned in an [earlier article](#). The problem is that you probably have not adequately researched the expert's track record. An advisory service called



CXOAdvisory.com provides detailed records on a large number of forecasters. They have an entire section devoted to GURUS. Here are the two questions they ask at the beginning of that section: "Can experts, whether self-proclaimed or endorsed by others (publications), provide reliable stock market timing guidance? Do some experts clearly show better intuition about overall market direction than others?" They address these questions with a logical and transparent process. After following over 60 experts and thousands of observations, near the end of the Guru section, they conclude: "The overall accuracy of the group based on both raw forecast count and on the average of forecaster accuracies (weighting each individual equally) is 47%. In summary, stock market experts as a group do not reliably outguess the market. Some experts, though, may be better than others." Hmmm! It seems like a coin toss, on average, would do better.

My formal education was in aerospace engineering. My education in "The World of Finance" came and continues to come from people in the investment industry I have grown to respect. I hate to list some as fear of leaving someone out, but Ed Easterling, John Hussman, Peter Bernstein, and James Montier are certainly at the top of the list. Are these professionals always correct? Of course not, but they usually admit it and they write in such a manner that they know the uncertainty is always there and yet present valid arguments on a wide host of topics and concepts. The rest of the learning comes from reading literally hundreds and hundreds of white papers in finance and economics. This process caused my concern at the insane use of advanced mathematics, usually in the form of partial differential equations, to supposedly assist in making the point that the paper was addressing. I cannot tell you how many times I thought that most of the math was unnecessary and more often than not the paper would have stood alone without the math. In many instances I think there is an attempt by most to overly complicate their work with mathematics with the belief that it brings credibility to their work. Another reason, and one I certainly cannot prove, is that they also know that most people who read their paper, other than their peers, will not grasp the math and just assume it is valid and necessary.

The senior special writer, Carl Bialik, of the Wall Street Journal, who wrote a section called, The Numbers Guy was one of my favorite reads. As I was wrapping up research for my book, [Investing with the Trend](#), and thinking that I had included

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# The Intellectual Void

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enough opinions about things without substantial evidence, I was delighted to find support from Carl for the section on “Masking an Intellectual Void.” On January 4, 2013, he wrote two articles entitled, “Don’t Let Math Pull the Wool Over Your Eyes,” and “Awed by Equations.” Those articles referenced two papers that gave support to my belief in the overuse of mathematics and how readers of white papers generally were impressed with what they actually did not understand. Research was conducted using only the abstracts of two papers, one without math, and one with math; the catch being that the one with math was bogus, totally unrelated to the paper. Yet, the highest percentage of participants who gave the highest rating to the abstract with added math, based upon the participants’ educational degree, was as follows:

Math, Science, Technology	46%
Humanities, Social Science	62%
Medicine	64%
Other	73%

I think this shows that those who had a high probability of not understanding the math gave the paper with the bogus math a higher rating, while those who possibly did understand the math; did not. The message is simple, don’t be fooled into thinking someone is all-knowing because they use a lot of technical jargon. They just might not understand it any better than you do, but they know they probably won’t get caught.

*“There is always a reason for a stock acting the way it does. But also remember that chances are you will not become acquainted with that reason until sometime in the future, when it is too late to act on it profitably.”* Jesse Livermore

I cannot believe how often on the financial media they have an economist or politician and they are asking them for a market forecast. They seem to believe that everything is tied together and in one giant state of equilibrium where the input from one affects all the rest. Remember, this is not science. Forecasting the future of monetary, economic, financial, or political possibilities has a serious flaw in that even if your forecast is close to being correct, or even if it is spot on, the assumption about how the market will react is where the big problem lies. There is a flawed belief that positive events from political, economic, and monetary news will reflect positively on the markets. Conversely, negative news events will reflect negatively on the markets. This simply is not true. You can see that there is hardly any useable correlation to these events and the markets; earnings announcements are a perfect example. How many times have they been positive, and the stock market did not react accordingly? The gap between a good economic or monetary forecast and the reality of what the market does is huge. Ignore this noise and your trading will get better.

On March 11, 2008, CNBC’s Mad Money host, Jim Cramer emphatically said it was foolish to move money out of Bear Stearns. He claimed that Bear Stearns was just fine. He was totally wrong. A week later JPMorgan agrees on March 16 to buy Bear for \$236 million, or \$2 a share, representing just over 1 percent of the firm’s value at its record high close just 14 months earlier. The deal essentially marked the end of Bear’s 85-year run as an independent securities firm. On Monday, March 17, Bear shares closed at \$4.81 on optimism another buyer may emerge. The average target price: \$2. Don’t confuse advice from someone in the entertainment business with advice from someone who manages money. In fact, don’t pay attention to anyone’s predictions. No one knows the future!

Okay, that’s enough story telling. What is the message here? To be successful in the market, I strongly believe you need to find a process that you are extremely comfortable with, follow it with religious zeal and discipline, and turn off the noise. The noise is really hard to ignore because they can make it sound so convincing. I have repeated this message throughout this article because I believe it is true and necessary for success.



About the author: [Greg Morris](#) has a 50+-year investing career as a technical analyst, a developer of indicators and trading systems. He is also an accomplished author of books on trend analysis, breadth, and candlesticks. Morris worked with N-Squared Computing from 1982 to 1993. During his time there he produced over 15 technical analysis and charting software titles.

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