



Having a Purpose When Personalizing a Portfolio

Key Takeaways:

- **The Core Satellite Method:** Use the core satellite approach to balance a stable, diversified core with personalized satellite investments that reflect your interests.
- **Values-Based Investing:** Identify your personal values and objectives to guide your investing choices. This turns investing into a more meaningful pursuit.
- **Protect the Foundation:** While personalizing, ensure your portfolio's underlying support structure for cash flow, volatility, and growth remains intact. Start small and do your research.

In an era of advanced technology and streamlined operational efficiencies, investing has moved beyond a purely transactional activity. We can now easily customize our portfolios, allowing them to become a direct extension of our personal values, goals, and passions. This personalization transforms the act of investing from a detached, purely financial exercise into a meaningful journey, where your capital can be a powerful tool for building wealth while also aligning with your core beliefs.

THE CORE SATELLITE FOUNDATION

Before delving into personalization, it's important to understand a foundational portfolio design: the core satellite approach. This methodology involves building a portfolio around a **core** of broadly diversified, low-cost investments, such as index funds or ETFs. This core aims to provide stability and market-like returns.

Surrounding the core are satellite investments. These can be more actively managed funds or individual securities chosen to potentially enhance returns or align with specific interests. The satellite portion allows for personalization without jeopardizing the overall diversification and stability of the portfolio's core.

IDENTIFYING YOUR INVESTING INTERESTS

Personalization begins with self-reflection. Consider your values and objectives:

- **Values:** What causes do you care about? Are you passionate about environmental sustainability, social responsibility, or technological innovation? Identifying these values can lead you to explore investments in companies or funds focused on these areas.

For example, if you value clean energy, you might consider investing in solar or wind energy companies or ETFs that track clean energy indices.

- **Objectives:** What are your financial goals beyond standard returns? Are you interested in supporting local businesses, funding specific research, or investing in emerging markets? Your objectives can guide your satellite investment choices.

For instance, if you aim to support local entrepreneurs, you might invest in a regional bank's stock, business development companies, or enterprise zones

SOME QUESTIONS TO PONDER

To help identify these interests, ask yourself the following questions:

- What kind of news or research do I find myself drawn to?
- Are there specific industries or companies whose missions I admire?
- What global or societal challenges do I believe are important to address?
- Are there any particular investment themes that intuitively resonate with me?

Answering these questions can provide a framework for identifying potential satellite investments that align with your personal values, and objectives.

STAYING GROUNDED IN PORTFOLIO DESIGN

Integrating personalized satellite investments requires careful consideration to ensure the overall portfolio remains aligned with your financial plan:

- **Cash Flow:** Ensure your core holdings generate sufficient income to meet your regular expenses, independent of the potentially less predictable cash flow from satellite investments. Dividend-paying core ETFs or bond funds can serve this purpose.
- **Volatility Targets:** While satellite investments can offer growth potential, they may also introduce higher volatility. Maintain a well-diversified core that aligns with your risk tolerance to mitigate overall portfolio volatility. The allocation size of the satellite portion should be carefully considered based on your comfort level with risk.
- **Growth:** The core of your portfolio should provide a foundation for long-term growth, typically through a significant allocation to equities. Satellite investments can complement this growth potential, but should not be relied upon as the primary growth engine, especially if they are thematically concentrated.

A PERSONALIZATION METHOD

When incorporating personalized satellite interests, it is crucial to:

- **Conduct Thorough Research:** Understand the risks and potential returns associated with any satellite investment. Don't let passion overshadow due diligence.
- **Start Small:** Begin with a modest allocation to your personalized interests within the satellite portion of your portfolio.
- **Maintain Diversification within Satellites:** Even within your chosen themes, diversify your satellite holdings to reduce single-stock (aka idiosyncratic) risk.
- **Regularly Review and Rebalance:** Periodically assess the performance of your core and satellite holdings and rebalance as needed to maintain your target asset allocation.

CONCLUSION

By thoughtfully integrating your values and objectives into your investment strategy through a core-satellite framework, you can create a portfolio that is not only financially sound but also personally meaningful. Remember that personalization should enhance, not compromise, the fundamental principles of sound portfolio construction.

Disclaimer: This article is intended for informational purposes only and should not be construed as legal or financial advice. It is imperative to consult with qualified professionals to address your specific needs and circumstances.



We'd Love to Hear from You!

Geoffrey Hakim, CFP
CEO and Founder
MCMWealth.com
415-299-6574
geoff@mcmwealth.com
[Schedule a meeting with Geoff](#)