



Mutually Exclusive

by Andrew Marks

August 12, 2000

It can be tough choosing between a stock portfolio's upside potential and a mutual fund's low-risk diversification and management. So why choose? Netfolio.com, based in New York, lets you build your own fund from preexisting templates and throws in premium financial advice for good measure.

A Netfolio fund should perform at least as well as an ordinary mutual fund, says company CEO Jim O'Shaughnessy. The 140 strategies behind Netfolio's templates, he says, offer "a much better chance to outperform the market" at a lower price. Given a \$10,000 investment (Netfolio's minimum is \$5,000), the \$200 annual flat fee stacks up well against the 2.13 percent cost of the average no-load fund (including undisclosed costs). And having direct control over your holdings lets you minimize taxable gains.

Netfolio's Profiler software assembles a "personal fund" based on your answers to 15 questions. The site lets you test your fund's performance over the past 10 years; mine would have averaged 17.3 percent annually, beating the S&P 500 by 4 percent. You can add, subtract, or swap stocks and their allocations, and backtest performance until you're satisfied. Click the Execute Order button, and Netfolio buys the stocks at no extra charge through a Bear Stearns account you must set up beforehand.

In addition to getting your fund off to a solid start, Netfolio tells you how to allocate your capital among other investment types. "A few questions aren't enough to create a fully personalized plan," says Brent Kessel, president of Abacus Wealth Management. "But from what I've seen, the site comes close to creating the kinds of portfolios I build for my wealthiest clients."

Once a year, Netfolio reevaluates your fund and recommends changes, which you can execute without paying commissions. Adjustments at other times cost \$20 per trade, but you can start fresh at any time for free. For an extra \$300 a year, you get access to Netfolio's proprietary Time Tester stock-screening tool, which allows you to build a fund from scratch.

A new paradigm for retail investing? Ebrokers and mutual fund managers are equally convinced that investors want both personal control and tailored advice, and they're spending big money to make sure they can provide it. Meanwhile, Netfolio is staking out the next rung in the evolution of online investment services.

Netfolio: www.netfolio.com.

