HELPING TO PROTECT CLIENTS *INTO THE* ***FUTURE***

Written by J K Klaiber · Photography provided by Horter Investment Management

"We don't like our clients to go backwards over time," explains Drew Horter, president of Horter Investment Management, LLC.

Now celebrating 25 years of success, it seems Horter Investment Management doesn't move backwards either. Growing from a firm that managed $22 million in 1992 to over $1 billion nationwide shows that Horter holds the keys to sound financial success.

And Horter wasn't given these keys – he forged them with the experience and wisdom that saw his firm through two turbulent financial crises.

In 2014, *Financial Advisor Magazine* ranked Horter Investment Management No.1 nationally in 'Percentage of Growth in Assets' for firms with assets of $500 million to less than $1 billion and then as No.6 nationally for firms with assets of $1 billion to less than $2 billion in 2015.

With economic recessions and bubbles, investors risk substantial loss – which can be detrimental to pre-retirees and retirees.

"Many people are told 'buy and hold,' 'markets go up and markets go down,' 'diversify and you'll always be fine,' " says Horter. "I believed this, too, for most of my career. As a fee-based Registered Investment Advisor, the focus for the past eight years has been on tactical asset management – not a model where you hope and pray that everything turns out alright."

After graduating from the University of Cincinnati, Horter became securities licensed, joined a firm as an advisor in 1982 and then started his own firm with three partners in 1986. Horter and two of his partners were Certified Financial Planners™ when there were only a few thousand in the country.

Shortly after the beginning of his own firm, stock markets around the world crashed during 1987's infamous Black Monday.

"The market fell over 20 percent in one day," remembers Horter. "We saw our clients losing money. We looked at each other and said 'This is ridiculous. There has to be a better way to run our business for the benefit of our clients.'

"Commissions were the primary way to make money when it came to securities in the 1980's," explains Horter, "we wanted to be totally objective, so we changed to fee-based advisors in 1988 and moved to hiring third-party money managers. There were very few fee-based advisors in the 1980's so we were pretty much pioneers in the industry."

This model proved successful as Horter then broke away on his own in 1991 and formed Horter Investment Management.

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Horter's firm grew as he hired third-party money management firms in Cincinnati and later across the country. Like other firms, Horter Investment Management flourished in America's longest period of growth in the '90s.

"Then 2000 hit," remembers Horter, "With the dot-com bust, the 9/11 attacks and the 2002 recession, the S&P 500 declined almost 50 percent."

During the stock market downturn of 2002, the Dow Jones Industrial Average experienced a total loss of $5 trillion and the NYSE and NASDAQ had an overall market loss of $9.3 trillion.

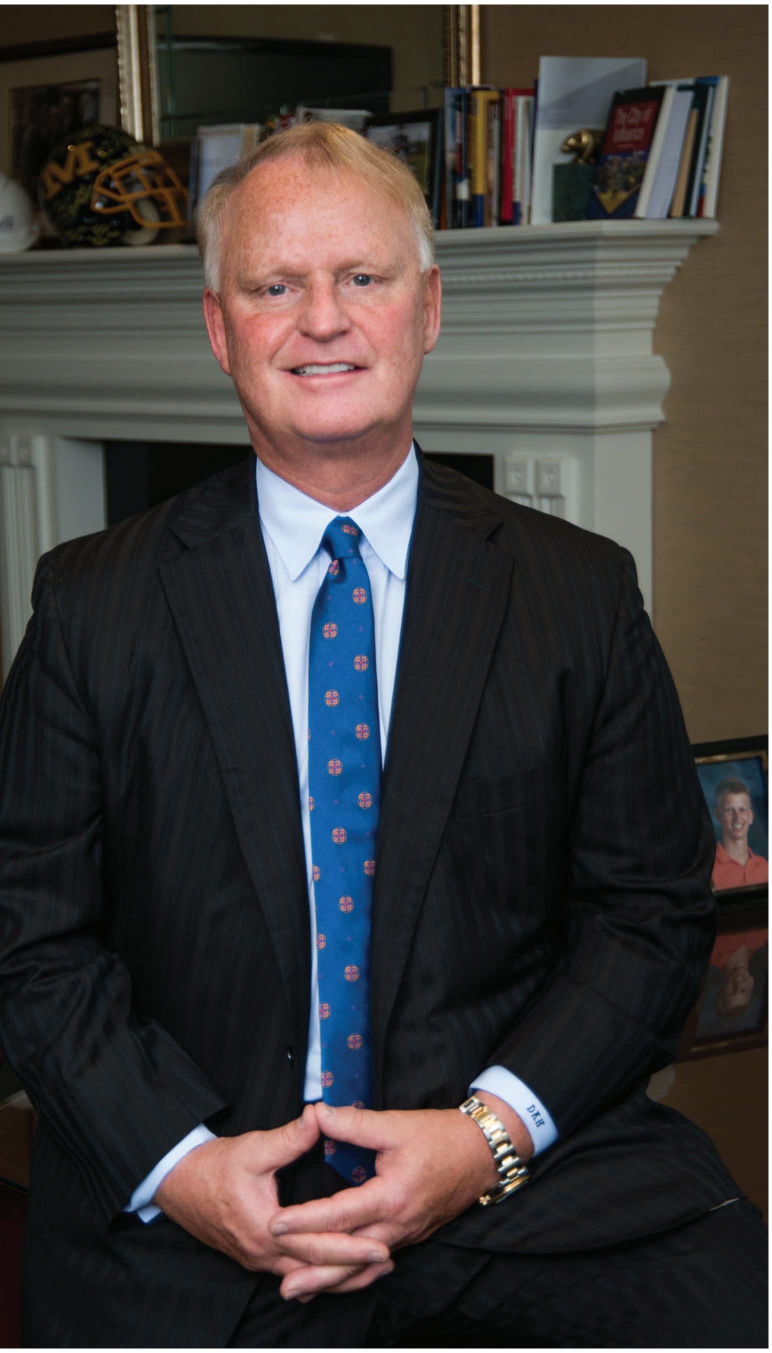
"After facing losses for three years," says Horter, "I elected to use a new equity mutual fund model that was called Peak Fund Management."

"We focused primarily on four different equity asset classes and cash: Large-cap mutual funds, mid-cap mutual funds, small-cap mutual funds and international mutual funds. It was an asset allocation model with equities or hybrid funds."

And it worked. In 2008, Horter Investment Management grew to $88 million in assets.

"Horter Investment Management's approach is to seek to achieve superior risk-adjusted returns over a full market cycle (four to five years) compared to the traditional 60 percent equities/40 percent bonds asset allocation. We do this by implementing investment opportunities with several tactical managers within our two risk buckets. For those investors who are unwilling to stomach anything more than nominal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the appropriate index."

Mission Statement



"We achieved some national notoriety in the industry," says Horter. "And at that time we were getting advisors asking us to coach and mentor them in their practices."

As market volatility started to increase in the summer of 2007, Horter became uncomfortable with 'buy and hold' and asset allocation models that went by the rule of always staying invested despite what was happening.

"So we put together a list of specific manager criteria and began looking for managers that could help protect our clients in bad times. We interviewed investment managers that met the criteria and started monitoring them in late 2007 and 2008."

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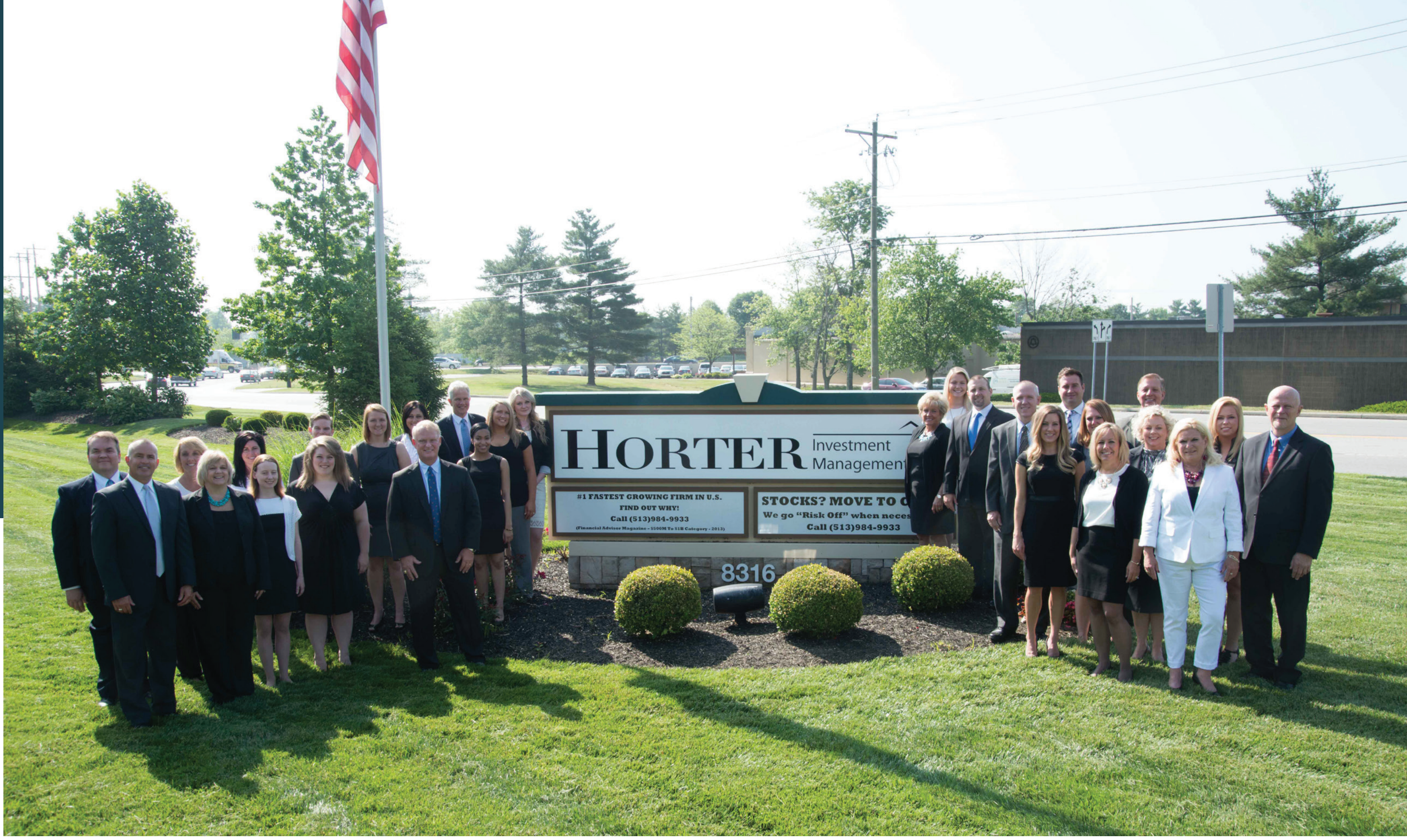
>
> – Drew Horter, (left)

In October 2007 the market peaked before entering the Great Recession and the subprime mortgage crisis of 2008.

"The 2008 downfall hurt a lot of investors," says Horter. "this accelerated the process of seeking tactical asset managers that can go risk-off to cash to protect client capital or make money if the stock market is going up or going down."

By following these risk adverse models, tactical money managers can follow market trends and reduce risk by selling existing higher-risk positions and can move the money to cash. Tactical asset managers hedge risk in a volatile market by making trend following informed decisions using their proprietary models.

"We focus on tactical asset managers," explains Horter. "Not 'a hope and a prayer' portfolio. When you build a financial portfolio we believe you need to be defensive in bad times and opportunistic in



good times. You never want to only hope and pray that it does well. You need to mitigate and minimize risk as much as possible. Developing a risk tolerance mandate is very important.

"Investors lost 51 percent of their value from October 2007 through early March 2009. When you lose 50 percent, you have to then go on and make 100 percent to get back to even," continues Horter. "A 60/40 stock to bond portfolio lost 35 percent in the same timeframe. This is unacceptable, especially for those retirees who are taking a four percent annual income and contending with inflation at the same time."

With recessions and bubbles happening every six to seven years, an investor cannot afford to lose 30, 40 or 50 percent of their hard-earned assets at any given time.

To help protect their clients' investments, Horter has surrounded himself with what in his opinion are the best tactical managers he could find.

"We believe in managers with successful and auditable performance histories that minimize drawdowns during difficult times," he explains. "Investors need to know that there is an alternative to the 'buy and hold' philosophy of investing and the asset allocation class rotation models that exist today."

With over $1 billion in assets, it's safe to say that Horter may be doing something right.

Growing from a local firm to a nationwide firm, Horter has found a new challenge: expanding his office space to accommodate the demand for more advisors.

"At the time when I formed my own firm in 1991," remembers Horter, "it was just me and my assistant."

Today, Horter has over 250 investment advisor representatives and over 100 additional investment advisor representatives with 50 independent advisory firms.

"We plan to add about 100 new advisors each year nationwide and for Cincinnati to have 20 or more investment advisor representatives servicing local pre-retirees, retirees and small businesses," adds Horter.

To facilitate this growth, Horter Investment Management is expanding their Symmes Township base. The new building, located on Mason-Montgomery Road near their current location, will be 25,000 square feet. "The current building on Cornell Road will be for our Cincinnati advisor office and our new building will be our national headquarters."

"The new building will give us the ability to grow two to three times bigger than we are today to service more risk-adverse investors," explains Horter.

The space will be well utilized as Horter Investment Management is now registered in all 50 states.

"We've helped our clients for the past 25 years," says Horter "and we will continue to be risk-averse as best we can to help protect our clients over the next 25 years as well." ❖

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