Why Do We Have Multiple Large Cap Growth Strategies in Your Portfolio?

One question we frequently receive is why we recommend different mutual funds, ETFs, or investment strategies within the same asset class, such as Large Cap Growth, Value, Growth, or other styles, when they all appear to be investing in the same or a very similar stock market. The answer is more interesting than it seems, and if you play golf, you'll understand it perfectly.

In golf, the ultimate objective is always the same: get the ball into the hole in as few strokes as possible over eighteen holes. That never changes. However, the way each golfer approaches those holes is completely different.

Some of us position ourselves to play for bogey, meaning we're willing to accept one stroke over par and build our strategy around that expectation. Others aim to play even par (though I never quite get there), focusing on precision with every shot. And some of us decide not to use a particular club that day simply because we are not hitting it well on the driving range. When it rains, we adopt a more conservative strategy. When the wind is strong at our back, we play more aggressively.

The same principle applies to investment portfolios.

Yes, everyone is fishing in the same pond. The universe of stocks within a given style or sector is finite. However, the fundamental difference lies in how portfolios are constructed, the criteria used to select investments, and the risks managers are willing to take or mitigate.

Each investment manager has a unique fundamental process, meaning their own way of analyzing and selecting companies. For example, one manager may focus on companies with consistent growth using a GARP approach (Growth at a Reasonable Price), which means buying growing businesses at fair valuations. Another may focus on pure momentum, investing in companies whose stocks are rising rapidly and consistently exceeding market earnings expectations. Yet another may concentrate on businesses with exceptionally high returns on invested capital, meaning companies that generate substantial profits relative to the capital they deploy.

It's like golfers choosing different clubs off the tee. One may favor a long driver on every hole, another may prefer the control of a 3-wood, while someone else opts for a long iron for added safety. We are all playing the same hole, but we're playing it differently.

Portfolio concentration also matters significantly. Some managers maintain highly concentrated portfolios of 30 positions centered around their strongest convictions, while others build diversified portfolios with 100 or more holdings. The degree of concentration directly impacts risk, meaning the possibility of losing money, as well as alpha, which is the excess return a manager generates above the broader market. It's much like deciding whether to go for the green in two on a par-5 or choosing the safer route with three conservative shots.

Then there is the question of how managers protect or enhance their strategies. Some employ option overlays, which are additional derivative strategies designed to either hedge risk or increase return potential. Others use long-short strategies, buying stocks they believe will appreciate while simultaneously shorting stocks they expect to decline, thereby reducing overall market exposure. This is like how some golfers choose to lay up in a safe area of the fairway to avoid a bunker or a tree, while others attempt to carry the hazard entirely. Every tactic has its place.

Different managers also tend to perform better under different market conditions. GARP-oriented managers often provide better downside protection during market declines, much like a conservative golfer protects their score during difficult playing conditions. High-growth managers typically capture more upside during strong bull markets, like an aggressive golfer taking advantage of perfect weather conditions. Market-neutral strategies, which seek to generate returns regardless of whether markets rise or fall, often limit both extreme losses and extreme gains, much like playing an unpredictable course without taking unnecessary risks.

Here's the key point: two Large Cap Growth funds are not the same simply because they invest in the same universe of large companies. Portfolio construction, valuation discipline, and risk management philosophy are what ultimately drive differences in performance. It is exactly like two golfers with different handicaps playing the same eighteen-hole course. The objective is identical, but the route, pace, and outcome can be completely different.

When we hold the same stocks across multiple funds within your portfolio, we are not duplicating or replicating the same strategy. Instead, we are positioning you to benefit from a variety of market environments and conditions, just as an experienced golfer carries different clubs for different situations. Each strategy has strengths in specific environments, and together they create a more robust combination of opportunity capture and risk management than any single strategy could achieve on its own.

Think of it as carrying a complete set of golf clubs. Although every club is designed to move the ball closer to the green, a driver, a 7-iron, and a putter each serve a very different purpose. You would never successfully complete eighteen holes using only a putter. But when each club is used at the right time, it contributes to a solid and consistent round.

Your investment portfolio works the same way.

I hope this provides some additional clarity on the topic.

Warm regards, and as always, I remain at your disposal.