

Club Accounting

Report Helps Users Keep Economic Cycles in Mind When Allocating Assets

Soup Up Your Portfolio With Super Sectors

by Russell Malley, Club Accounting Adviser, ICLUBcentral

I was recently part of a club operations webinar with Doug Gerlach, president of ICLUBcentral, during which he discussed the addition of the Super Sectors category to the Sector & Industry Diversification report in myICLUB.com. This small change has the potential to make portfolio management easier and more productive. Here's why I'm excited about this change.

The Super Sector category groups economic sectors by their sensitivity to the economic cycle. Sectors within a Super Sector have a high correlation to one another but less correlation to sectors in other Super Sectors. A well-diversified portfolio would have companies that perform well in different phases of the economic cycle.

The Super Sector concept makes it easier to allocate resources among companies with different performance characteristics relative to the economic cycle.

Investing in all Super Sectors helps spread the risk throughout the economic cycle. In the webinar it was suggested a portfolio should have at least 15 percent invested in each Super Sector. Here are the Super Sector categories:

Defensive Super Sector:

- Health care
- Consumer defensive
- Utilities

Sensitive Super Sector:

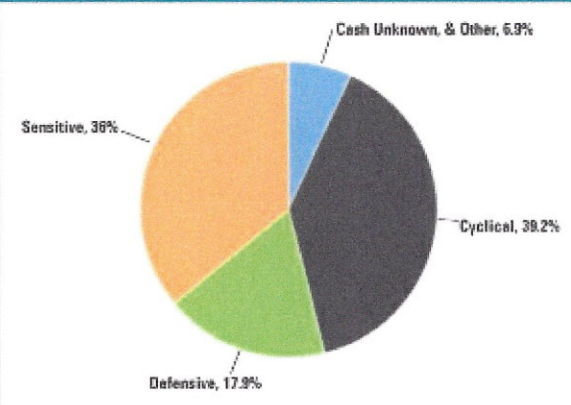
- Communication services
- Energy
- Industrials
- Technology

Cyclical Super Sector:

- Basic materials
- Consumer cyclical
- Financial services
- Real estate

When I saw this concept, I immediately generated the report for a portfolio I help manage.

Super Sectors



If you'd like to learn more about this concept, go to this page at the ICLUBcentral website:

www.iclub.com/webinars/webinar_iclub.asp

This page has an archive of club operation webinars. The Super Sector webinar wasn't yet posted when this article was submitted, but when it is it will be labeled the Sept. 19, 2017, webinar. The Super Sector grouping isn't yet implemented in the graph of Sector & Industry Diversification. The Sector & Industry Diversification report in the Portfolio reports includes Super Sectors and also pie charts at the bottom of the report.

The above graphic is an example of the Super Sector pie chart from the Portfolio section Sector & Industry Diversification report.

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