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Alternative Investing Videos

Bottom-up vs. top-down portfolios?

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Portfolio management can be thought about as top down or bottom up. Top-down investing is investing across asset classes around the world. Bottom-up investing is the most common and it involves selecting individual securities within an individual asset class. Any portfolio needs both, top-down and bottom-up portfolio management. Most portfolios have a good bit of diversification in a number of bottom-up investment managers.

Top-down investing complements bottom-up investing because it views the information from a different perspective and provides diversification within the portfolio. A top-down manager looks at macro developments around the world, kind of like looking at the forest instead of just looking at the individual trees. Moreover, it provides the flexibility to be opportunistic and take advantage of opportunities across the entire globe.