

# Startup hopes investors will latch onto trends

MARK JEWELL - AP Personal Finance Writer - Associated Press

Think you can tell the difference between a fad and a trend with staying power? Look around, and you might come up with some decent investing ideas.

If you've noticed that lots of your friends are using tablet computers instead of PCs, it might be a good time to consider stocks of companies driving the tablet revolution.

See evidence that Americans are getting more serious about their weight problems? Consider stocks of fitness center chains and weight-loss clinics. If you're convinced that we'll never get disciplined about our diets, try the opposite approach and invest in fast-food chains.

For average investors hoping to beat the market, buying several stocks fitting a broad investment theme is probably a better option than assessing which individual companies to buy. Few have the know-how to routinely make good stock picks, let alone the patience to do the required research.

With those realities in mind, a Silicon Valley startup last year launched a website aimed at do-it-yourself investors who consider themselves savvy trendspotters. Motif Investing enables customers to buy baskets of up to 30 stocks each that fit various "motifs," as the company calls them.

The bigger player a company is in that investing theme, the larger its weighting is in the basket of stocks. For example, Wal-Mart makes up nearly one-quarter of the portfolio in a retail stock motif called "Discount Nation."

The website has a menu of more than 100 motifs. Some are fairly conventional, such as offerings focusing on dividend-paying stocks and diversified bond portfolios.

But most are trend-oriented, such as a "Tablet Takeover" motif geared toward tablet computing, a "Fighting Fat" basket of weight loss-themed stocks and a "Junk Food" motif of fast-food and soft drink stocks. If social change is important to you, a "No Glass Ceilings" motif owns stocks of corporations run by female executives. Another invests in companies with gay-friendly workplace policies.

## IDEA-SHARING FEATURES

Motif launched last June, and on Thursday announced a new feature enabling individuals to create custom motifs and share them with other customers. Eventually, Motif plans to adopt a royalty system, allowing someone creating a motif to earn small payments when other investors buy it.

Customers can post investing ideas online for all to see, or friends or colleagues can

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exchange tips privately.

### EMERGING MODEL

Motif is among a small number of young companies trying to challenge traditional investment advisory firms through novel uses of the Internet and social networking. Others include Covestor, MarketRiders, Wealthfront, ShareBuilder and Betterment.

Although none has become a significant player in the industry, some could eventually catch on with certain types of investors.

"There's room for these niche players if they can get some traction," says analyst David Schehr of research firm Gartner Inc.

Motif's likely target audience, Schehr says, is investing enthusiasts who actively trade small portions of their invested savings.

Motif isn't disclosing how many customers it has or how much money they've invested. The company raised \$26 million in venture capital funding and has some big backers. Board members include Arthur Levitt, former chairman of the Securities and Exchange Commission, and Sallie Krawcheck, a former executive with Bank of America and Citigroup.

### LOW PRICES

Low costs are one of Motif's chief selling points. After meeting a minimum investment of \$250, there's a \$9.95 charge to buy a single motif of up to 30 stocks. That's comparable to the commissions that traditional brokerages charge to buy a single stock, although some offer free ETF trades with certain restrictions. For \$4.95, a Motif customer can buy additional shares of an individual stock or ETF in a motif, thus customizing holdings so they're different than the default motif. And, in contrast with mutual funds and ETFs, there are no ongoing investment management fees.

### TOO EASY?

After getting a demo of Motif from co-founder and CEO Hardeep Walia, I'm impressed with how easy the site is to use. Information on the investment options is presented in user-friendly language. Photos illustrate each investing motif. Commands can be executed with a few mouse clicks or taps on a touch-screen.

That said, investing isn't a game, and there's a potential negative to Motif's ease of use. As you tap away, it could be easy to get carried away with money that you may be depending on for retirement.

Also, some of the motifs are geared toward potentially short-term trends that are unsuitable investment ideas for anyone with long-term goals. For example, one motif called "Rebuilding After Sandy" invests in hardware store chains and utilities services firms that saw demand spike after Hurricane Sandy hit the East Coast in

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October. Stocks such as Home Depot and Lowe's outperformed the broader market in the days after the storm, but its impact on the companies' bottom lines will be temporary.

With such potential shortcomings in mind, Gartner's Schehr suggests that anyone considering Motif or rival websites invest only small amounts of their savings, reserving the majority for traditional diversified portfolios: "Just take a taste," he advises, "and don't sign up for the full banquet."

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Questions? E-mail [investorinsight\(at\)ap.org](mailto:investorinsight(at)ap.org)

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