GNH CAPITAL GROUP
of Wells Fargo Advisors

MARKETS DON'T JUST MOVE—THEY TRAVEL

(The Evolution of Investing: From Optimization to Adaptation to Navigation)

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At the dawn of investment finance in the 1950s and 60s, Modern Portfolio Theory (MPT) constructed an idealized, mechanistic picture of markets—governed by stable statistics, normally distributed risk (under which the Nasdaq 100's ~+10% move on April 10, 2025, would occur only once in a…quadrillion years!), and fixed relationships. It assumed that investors were perfectly rational with constant risk aversion, and that higher returns always require higher risk. Managers pursued "mean-variance optimized" portfolios, which, despite heavy computation, produced unimpressive results. The flaws became clear only later.

Beginning in the 1990s, using large computerized datasets, Professor Andrew Lo showed that markets are fundamentally non-stationary: correlations shift, patterns evolve, and crashes occur far more frequently than MPT allows.[1] Further research showed that lower-risk portfolios can, over time, deliver higher returns[2]—a decisive blow to MPT.

This insight led to Lo's Adaptive Markets Hypothesis (AMH), reframing markets as evolving ecosystems where efficiency is conditional and strategies adapt—a more dynamic framework, but still lacking actionable guidance for investors.

That's where **Regime Navigation** takes the helm, powered by rotational trading engines like **BOOST**, which trades the relay race of market frontrunners around the prevailing trend. It provides concrete ways to track shifting regimes, exploit changing travel paths, and manage path-dependent risk—**turning investing from optimization into navigation.**

Here is how this evolution has unfolded in comparison to physics:

MPT: Optimization ~ Aristotelian physics — simple but unrealistic, working only in calm regimes.

AMH: Adaptation ~ Newtonian physics — dynamic and evidence-based, yet operationally thin.

Regime Navigation/BOOST ~ Einsteinian physics — built for real-world regime shifts, rotation, and flow.

Markets don't just fluctuate — they travel.
Investing is market seamanship: mastering the journey.

Contact us to learn how our regime-navigating strategies with BOOST can help you **stair-step your wealth robustly and sustainably.**

[1] Lo, A. W. (2005). Reconciling Efficient Markets with Behavioral Finance: The Adaptive Markets Hypothesis. Journal of Investment Consulting, 7(1), 21–44.

[2] Blitz, D., & van Vliet, P. (2007). The Volatility Effect: Lower Risk Without Lower Return.

[3] https://www.linkedin.com/posts/konstantinos-kostas-grigorakis-cfa-754264103_the-engine-roomwhat-powers-your-strategies-activity-7359365482207985664-xi8b?utm_source=share&utm_medium=member_desktop&rcm=ACoAABozTTAB7_bL6T6pkI6yFlzuM8rHnhF3zMQ