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THE BEST ADVICE

Tom Sedoric of Wells Fargo often zigs when others zag. He serves a more-modest clientele than other top advisors, and studiously avoids investment fads.

Taking a Different Tack

by Steve Garmhausen

Tom Sedoric is something of an outlier in the upper reaches of the financial advisor industry: While his peers compete for the richest possible clients, he typically focuses on those with around $1.5 million to invest.

"We do get ultra-high-net-worth inquiries," says the 60-year-old Wells Fargo advisor, referring to would-be clients with investable assets of $30 million or more. "But it's our [mass affluent] market that really needs the help."

That isn't the only thing that makes Sedoric stand out. Based in Portsmouth, N.H., he practices transcendental meditation twice daily—to help manage the pressure, he explains, of handling 210 families' financial well-being.

Unsurprisingly, Sedoric also marches to his own drummer on the investing front. He's known for an international bent, for avoiding hedge funds and other complex investments, and for an old-school discipline in balancing asset classes. Case in point: Sedoric maintained a significant bond weighting last year, even as pundits warned of a bursting bond bubble. Ultimately, his bond holdings paid off nicely when the market rallied this year.

"We've never abandoned any one market because the media said we should," says Sedoric, long one of the top advisors in New Hampshire.

Sedoric's overarching piece of investing advice these days: Temper your expectations. The S&P 500's annualized return, including dividends, has been a red-hot 18% for the past five years. But the index's 10-year average is just 7.4%, and Sedoric expects a regression to the mean, with total stock returns averaging around 8% for the next five years.

Bond yields, he says, will remain meager and for "probably longer than most would want." "Understand that the days of the 6% riskless return are gone, at least for now," he says. Without the markets fattening their retirement accounts, investors will simply have to save more, says Sedoric.

Sedoric's clients have a healthy allocation to global investments; on average, half of their stocks, and a third of their bonds, are outside the U.S. The advisor traces his glob-

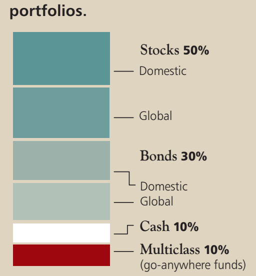
Jason Grow for *Barron's*

ON GUARD: **"We don't really know how assets are going to behave after the Fed backs off."**

The Strategy

Location: Portsmouth, N.H.
Clients: 210
Typical Account: $1.5 million

Sedoric looks overseas for big chunks of his stock and bond portfolios.



Note: All percentages based on average allocations.

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al investing bent to his early overseas exposure: As a child, his family spent two years in Italy while his father was there on business. In the 1970s, an uncle, who was the CEO of an oil-products company, helped build oil refineries in China as relations between that country and the U.S. began to thaw. "That global perspective has helped me see that it isn't all about U.S. companies," Sedoric says. "Intellect and innovation are not relegated to one culture, one society, one religion, nor one geopolitical unit."

Sedoric took a crooked path into the financial advice field. The Beloit, Wis., native enrolled in Carleton College in Minnesota in 1972. But he soon dropped out to ski and do a bit of investing—he bought his first stock, Texaco, in 1974.

He returned to college at the University of Vermont in 1976, earned a bachelor's degree combining psychology and finance, and took a job in finance with Xerox. But Sedoric didn't care for the management path set out for him at the copy-machine giant, and eventually decided to pursue his growing interest in investing.

Sedoric's meditation doesn't mean he's worry-free. Atop his list of concerns is the complacency that he sees setting in with investors five years into the recovery. "They don't totally understand that much of what's going on in the markets is being distorted and manipulated by central bank actions," he explains. "We don't really know how assets are going to behave after the Fed backs off [its quantitative easing program]."

That uncertainty is part of the reason Sedoric advises his clients to keep as much as 25% of their assets in cash and short-term paper. Keeping dry powder is also a good idea in the age of flash trading, when on any day the market can gyrate by 2,000 points because of an errant computer algorithm.

"We have a fair amount of cash to keep clients from panicking and to put to work if things get dicey," he says. In any event, there's currently no segment of the market that Sedoric sees as particularly cheap.

Ever prudent, Sedoric gave up his longstanding practice of biking to work last year after a client pressed him about the risk. "I have seen one too many texting drivers on the road," he acknowledges. "I am a risk manager, after all." ■

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